



EMFULENI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2014

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

General Information

Mayoral committee

Executive Mayor	N.G Hlongwane
Speaker	M.P Gqelosha
Chief whip	D.E Tshabalala
Members of mayoral committee	
MMC - Infrastructure planning, development and asset management (IPAM)	V.M Godoli
MMC - Human settlement	M.L Khubeka
MMC - Public safety	W.V Mcera
MMC - Corporate and governance	K Ntombela
MMC - Health and social development	S.E Pitso
MMC - Sports, recreation, arts and culture, library information services, parks and cemeteries	S.J Radebe
MMC - Environmental management and planning	K.J.M Ranake
MMC - Finance and revenue	M.T Ronyuza
MMC - Basic services	N.R Thulo
MMC - Agriculture, local economic development, development planning and tourism	K Malindi

Accounting Officer

SS Shabalala

Chief Finance Officer (CFO)

Pontsho R Matlala

Grading of local authority

Grade 11

Auditors

Auditor-General of South Africa

Primary banking institution

ABSA Bank Limited

Registered office

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Business address

Cnr Frikkie Meyer Boulevard & Klasie Havenga Street
Vanderbijlpark
1900

Postal address

P.O Box 3
Vanderbijlpark
1900

Telephone number

(016) 950 5000

Fax number

(016) 950 5050

Email

shabalalas@emfuleni.gov.za

Website

www.emfuleni.gov.za

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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Abbreviations

COID	Compensation for Occupational Injuries and Diseases
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
RUL	Remaining Useful Life
EUL	Estimated Useful Life
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
AFS	Annual Financial Statements
PAYE	Pay As You Earn
UIF	Unemployment Insurance Fund

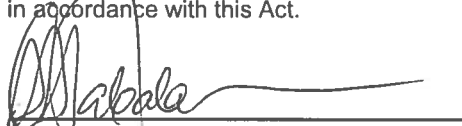
Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting Officer's responsibilities and approval

I am responsible for the preparation of these financial statements which are set out on pages 5 to 71, in terms of the Local Government: Municipal Finance Management Act, 2003 (Act no. 56 of 2003) and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of councillors as disclosed in Note 26 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearer's act, 1998 (Act no. 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.


SS Shabalala

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of financial position as at 30 June 2014

		2014	2013 Restated*
	Note(s)		
Assets			
Current Assets			
Cash and cash equivalents	2	126,376,022	127,649,348
Trade and other receivables from exchange transactions	3	242,445,019	282,265,533
Trade and other receivables from non-exchange transactions	4	160,522,516	179,616,196
Inventories	5	27,358,741	24,041,347
Value added tax receivable	6	61,750,522	79,922,014
		618,452,820	693,494,438
Non-Current Assets			
Property, plant and equipment	7	10,177,016,740	10,516,529,722
Investment property	8	1,372,942,709	1,108,346,697
Intangible assets	9	19,950,179	21,529,169
Heritage assets	10	357,975	346,517
Sanlam shares		308,750	225,500
		11,570,576,353	11,646,977,605
Non-current assets held for sale and assets of disposal groups	11	16,745	16,745
Total Assets		12,189,045,918	12,340,488,788
Liabilities			
Current Liabilities			
Trade and other payables	12	746,473,270	667,595,253
Unspent conditional grants and receipts	14	28,596,471	31,229,144
Borrowings	15	3,657,602	3,435,772
Finance lease liability	16	-	1,387,662
		778,727,343	703,647,831
Non-Current Liabilities			
Consumer deposits	13	37,404,062	33,938,710
Borrowings	15	19,827,787	23,485,389
Provisions	17	86,475,690	121,036,959
Employee benefit obligation	39	203,336,980	202,217,470
		347,044,519	380,678,528
Total Liabilities		1,125,771,862	1,084,326,359
Net Assets		11,063,274,056	11,256,162,429
Net Assets			
Reserves			
Self-Insurance reserve	47	85,250,753	56,288,587
Accumulated surplus		10,978,023,303	11,199,873,842
Total net assets		11,063,274,056	11,256,162,429

* See Note 31

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Financial Performance

		2014	2013 Restated
	Note(s)		
Revenue			
Revenue from exchange transactions			
Service charges	18	2,987,009,710	2,591,388,035
Rental of facilities and equipment	19	11,633,519	11,195,309
Finance income	20	39,410,982	35,278,982
Trade and other licenses		6,770	12,907
Dividends received	20	6,050	3,025
Other income	21	58,187,072	64,570,033
Total revenue from exchange transactions		3,096,254,103	2,702,448,291
Revenue from non-exchange transactions			
Property rates	22	469,446,918	410,973,552
Interest received - SARS		298,246	-
Donations		81,851,117	63,675,135
Fines	24	153,353,108	34,648,500
Government grants & subsidies	23	836,352,364	842,445,849
Total revenue from non-exchange transactions		1,541,301,753	1,351,743,036
Total revenue		4,637,555,856	4,054,191,327
Expenditure			
Employee related costs	25	(822,788,230)	(754,322,663)
Remuneration of councillors	26	(42,735,849)	(26,661,222)
Depreciation and amortisation	7	(476,075,878)	(503,716,807)
Finance costs	27	(27,575,854)	(32,425,322)
Debt impairment	3	(781,535,834)	(457,427,988)
Repairs and maintenance		(138,496,895)	(104,668,557)
Bulk purchases	28	(1,874,698,247)	(1,803,669,344)
Contracted services		(105,054,297)	(82,591,790)
Imputed interest		3,576,232	-
General expenses	29	(744,254,530)	(507,507,434)
Total expenditure		(5,009,639,382)	(4,272,991,127)
Operating deficit		(372,083,526)	(218,799,800)
(Loss)/gain on disposal of assets		(88,196,640)	(22,471,999)
Fair value adjustments		267,362,508	148,357,174
Impairment loss/ reversal of impairments		29,281	(1,485,741)
		179,195,149	124,399,434
(Deficit)/Surplus for the year		(192,888,377)	(94,400,366)

* See Note 31

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of changes in net assets

	Insurance reserve	Accumulated surplus	Total net assets
Restated* Balance at 01 July 2012	29,516,971	11,321,045,826	11,350,562,797
Changes in net assets			
Surplus for the year	-	(115,793,316)	(115,793,316)
Correction of error	-	21,392,948	21,392,948
Transfers/contribution	26,771,616	(26,771,616)	-
Total changes	26,771,616	(121,171,984)	(94,400,368)
Restated* Balance at 01 July 2013	56,288,587	11,199,873,846	11,256,162,433
Changes in net assets			
Surplus/(Deficit) for the year	-	(192,888,377)	(192,888,377)
Transfers/Contributions	28,962,166	(28,962,166)	-
Total changes	28,962,166	(221,850,543)	(192,888,377)
Balance at 30 June 2014	85,250,753	10,978,023,303	11,063,274,056

* See Note 31

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Cash flow statement

		2014	2013 Restated*
	Note(s)		
Cash flows from operating activities			
Receipts			
Sale of goods and services		2,483,059,702	2,142,695,330
Grants		824,037,691	852,335,742
Interest income		39,709,228	35,278,982
Dividends received		6,050	3,025
Other receipts		501,813,611	495,858,324
		<u>3,848,626,282</u>	<u>3,526,171,403</u>
Payments			
Employee costs		(860,526,613)	(757,956,900)
Suppliers		(2,043,564,736)	(2,003,827,081)
Finance costs		(27,575,854)	(32,425,322)
Other payments		(738,976,647)	(500,656,283)
		<u>(3,670,643,850)</u>	<u>(3,294,865,586)</u>
Net cash flows from operating activities	30	<u>177,982,432</u>	<u>231,305,817</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	7	(179,593,762)	(206,385,400)
Proceeds from sale of property, plant and equipment	7	1,869,617	2,478,608
Proceeds from sale of investment property	8	649,412	108,341
Purchase of intangible assets	9	(822,943)	(798,000)
Purchases of heritage assets	10	-	(7,940)
Net cash flows from investing activities		<u>(177,897,676)</u>	<u>(204,604,391)</u>
Cash flows from financing activities			
Repayment of borrowings		(3,435,772)	(5,268,815)
Movement in consumer deposits		3,465,352	400,797
Finance lease payments		(1,387,662)	(21,991,845)
Net cash flows from financing activities		<u>(1,358,082)</u>	<u>(26,859,863)</u>
Net increase/(decrease) in cash and cash equivalents		<u>(1,273,326)</u>	<u>(158,437)</u>
Cash and cash equivalents at the beginning of the year		127,649,348	127,807,785
Cash and cash equivalents at the end of the year	2	<u>126,376,022</u>	<u>127,649,348</u>

* See Note 31

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Ref.
Statement of Financial Performance						
Revenue						
Revenue from exchange transactions						
Service charges	3,008,344,724	152,771,181	3,161,115,905	2,987,009,710	(174,106,195)	Note 41(a)
Rental of facilities and equipment	13,915,091	-	13,915,091	11,633,519	(2,281,572)	Note 41(b)
Trade and other licenses	12,100	-	12,100	6,770	(5,330)	Note 41(c)
Other income	93,134,143	-	93,134,143	58,187,072	(34,947,071)	Note 41(d)
Interest received - investment	34,276,936	-	34,276,936	39,410,982	5,134,046	Note 41(e)
Dividends received	-	-	-	6,050	6,050	Note 41(g)
Total revenue from exchange transactions	3,149,682,994	152,771,181	3,302,454,175	3,096,254,103	(206,200,072)	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	469,468,332	-	469,468,332	469,446,918	(21,414)	
Interest received - SARS	-	-	-	298,246	298,246	Note 41(h)
Donations	41,485	-	41,485	81,851,117	81,809,632	Note 41(i)
Fines	35,007,945	-	35,007,945	153,353,108	118,345,163	Note 41(j)
Government grants & subsidies	867,001,938	(5,896,411)	861,105,527	836,352,364	(24,753,163)	Note 41(f)
Total revenue from non-exchange transactions	1,371,519,700	(5,896,411)	1,365,623,289	1,541,301,753	175,678,464	
Total revenue	4,521,202,694	146,874,770	4,668,077,464	4,637,555,856	(30,521,608)	
Expenditure						
Personnel	(826,687,515)	2,388,875	(824,298,640)	(822,788,230)	1,510,410	
Remuneration of councillors	(41,851,724)	(306,000)	(42,157,724)	(42,735,849)	(578,125)	
Depreciation and amortisation	(155,906,618)	4	(155,906,614)	(476,075,878)	(320,169,264)	Note 41(k)
Finance costs	(11,342,569)	(1,500,000)	(12,842,569)	(27,575,854)	(14,733,285)	Note 41(l)
Debt impairment	(241,197,838)	(308,522,158)	(549,719,996)	(781,535,834)	(231,815,838)	Note 41(m)
Repairs and maintenance	(175,723,229)	2,376,819	(173,346,410)	(138,496,895)	34,849,515	Note 41(n)
Bulk purchases	(1,884,859,075)	4,000,000	(1,880,859,075)	(1,874,698,247)	6,160,828	
Contracted Services	(98,425,097)	(4,086,293)	(102,511,390)	(105,054,297)	(2,542,907)	
Imputed interest	-	-	-	3,576,232	3,576,232	
General Expenses	(582,829,072)	(17,322,778)	(600,151,850)	(744,254,530)	(144,102,680)	
Total expenditure	(4,018,822,737)	(322,971,531)	(4,341,794,268)	(5,009,639,382)	(667,845,114)	
Operating deficit	502,379,957	(176,096,761)	326,283,196	(372,083,526)	(698,366,722)	
Loss on disposal of assets and liabilities	1,323,832	-	1,323,832	(88,196,640)	(89,520,472)	Note 41(o)
Fair value adjustments	-	-	-	267,362,508	267,362,508	Note 41(p)
Capital expenditure	(335,203,789)	5,695,358	(329,508,431)	(180,416,705)	149,091,726	
Surplus on distribution of non-cash assets to owners	-	-	-	29,281	29,281	
	(333,879,957)	5,695,358	(328,184,599)	(1,221,556)	326,963,043	
Deficit before taxation	168,500,000	(170,401,403)	(1,901,403)	(373,305,082)	(371,403,679)	
Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement	168,500,000	(170,401,403)	(1,901,403)	(373,305,082)	(371,403,679)	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Ref.
Statement of Financial Position						
Assets						
Current Assets						
Inventories	-	30,000,000	30,000,000	27,358,741	(2,641,259)	
Trade and other receivables from non-exchange transactions	507,602,000	(132,924,000)	374,678,000	160,522,516	(214,155,484)	
VAT receivable	-	-	-	61,750,522	61,750,522	
Trade and other receivables from exchange transactions	-	270,000,000	270,000,000	242,445,019	(27,554,981)	
Cash and cash equivalents	207,229,000	20,000,000	227,229,000	126,376,022	(100,852,978)	
	714,831,000	187,076,000	901,907,000	618,452,820	(283,454,180)	
Non-Current Assets						
Investment property	-	976,667,000	976,667,000	1,372,942,709	396,275,709	
Property, plant and equipment	2,024,011,000	-	2,024,011,000	10,177,016,740	8,153,005,740	
Intangible assets	-	7,783,000	7,783,000	19,950,179	12,167,179	
Heritage assets	-	-	-	357,975	357,975	
Sanlam shares	-	-	-	308,750	308,750	
	2,024,011,000	984,450,000	3,008,461,000	11,570,576,353	8,562,115,353	
Non-current assets held for sale and assets of disposal groups	-	16,000	16,000	16,745	745	
Total Assets	2,738,842,000	1,171,542,000	3,910,384,000	12,189,045,918	8,278,661,918	
Liabilities						
Current Liabilities						
Borrowings	-	-	-	3,657,602	3,657,602	
Trade and other payables from exchange transactions	450,000,000	(150,000,000)	300,000,000	746,473,269	446,473,269	
Unspent conditional grants and receipts	-	-	-	28,596,471	28,596,471	
	450,000,000	(150,000,000)	300,000,000	778,727,342	478,727,342	
Non-Current Liabilities						
Borrowings	29,988,000	-	29,988,000	19,827,787	(10,160,213)	
Employee benefit obligation	-	-	-	203,336,980	203,336,980	
Provisions	-	374,483,000	374,483,000	86,475,690	(288,007,310)	
Consumer deposits	-	33,538,000	33,538,000	37,404,062	3,866,062	
	29,988,000	408,021,000	438,009,000	347,044,519	(90,964,481)	
Total Liabilities	479,988,000	258,021,000	738,009,000	1,125,771,861	387,762,861	
Net Assets	2,258,854,000	913,521,000	3,172,375,000	11,063,274,057	7,890,899,057	
Net Assets						
Reserves						
Insurance reserve	25,029,000	-	25,029,000	85,250,753	60,221,753	
Accumulated surplus	2,233,825,000	913,521,000	3,147,346,000	10,978,023,304	7,830,677,304	
Total Net Assets	2,258,854,000	913,521,000	3,172,375,000	11,063,274,057	7,890,899,057	

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Ref.
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Cash Flow Statement

Cash flows from operating activities

Receipts

Sale of goods and services	2,755,291,000	313,010,000	3,068,301,000	2,715,122,646	(353,178,354)
Grants	907,206,000	6,277,000	913,483,000	852,335,742	(61,147,258)
	3,662,497,000	319,287,000	3,981,784,000	3,567,458,388	(414,325,612)

Payments

Suppliers	(3,123,478,000)	(37,196,000)	(3,160,674,000)	(3,296,987,470)	(136,313,470)
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Net cash flows from operating activities	539,019,000	282,091,000	821,110,000	270,470,918	(550,639,082)
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Net increase/(decrease) in cash and cash equivalents	539,019,000	282,091,000	821,110,000	270,470,918	(550,639,082)
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Cash and cash equivalents at the end of the year	539,019,000	282,091,000	821,110,000	270,470,918	(550,639,082)
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Accounting policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated otherwise. The details of any changes in the accounting policies are explained in the relevant policy.

1.1 Significant judgements and sources of estimation

The preparation of annual financial statements in conformity with standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates. Significant judgements and underlying assumptions are reviewed on a constant basis. Significant judgements include:

The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Trade receivables and other receivables

The municipality assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the management makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables and other receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio.

Fair value estimation

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values.

Impairment testing

The recoverable amount of cash generating units and recoverable amount/ recoverable service amount of individual assets have been determined based on the higher of value in use calculations and fair values less cost to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the fair value assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The municipality reviews and tests the carrying value of assets when events and changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest value for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting policies

1.1 Significant judgements and sources of estimation (continued)

Provisions

Provisions were raised and management determined an estimate based on the information available. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Assumptions were used in determining the provision for rehabilitation of landfill sites. Landfill areas are rehabilitated over years and assumptions were made that the areas may stay the same in size for a number of years. The increase in the restoration provision due to passage of time is recognised as borrowing cost in the statement of financial performance.

The estimates are discounted at a discount rate that reflects current market assessments of the time value of money.

Contingent liabilities

Contingencies disclosed in the current year required estimates and judgements. Additional disclosure of these contingent liabilities is included in the relevant note.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will decrease the depreciation charge where useful lives are more than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

In terms of GRAP 25 the discount rate was set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Market website on the 30 June 2014.

Other key assumptions for pension obligations are based on current market conditions.

Effective interest rate

The municipality used the prime interest rate plus 2% to discount future cash flows as at 30 June.

Allowance for credit losses

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Self- insurance reserve

A reserve is held to settle future claims against the municipality. Funds are transferred based on external risk factor and premium determined.

1.2 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Accounting policies

1.2 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality and the cost or fair value of the investment property can be measured reliably.

Initial measurement

Investment property is initially recognised at cost.

Subsequent measurement

Subsequently investment property is recognised at fair value and the fair value of investment property reflects market conditions at the reporting date.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition. A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Compensation from third parties for investment property that was impaired, lost or given up, is recognised in surplus or deficit when the compensation becomes receivable.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.3 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Initial measurement

Property, plant and equipment is initially measured at cost.

Assets acquired by grant or donation and newly identified assets

Property, plant and equipment are measured at fair value at date of acquisition where assets have been acquired by grant or donation and for assets that were newly identified through formal asset verification procedures for which cost records are not available or not reliable at date of acquisition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Subsequent measurement

After the initial recognition as assets, property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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Accounting policies

1.3 Property, plant and equipment (continued)

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Depreciation is calculated on the depreciable amount (cost less residual value), using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:

Item	Average useful life
Infrastructure	
• Roads and paving	20
• Electricity	50-60
• Water	15-20
• Sewerage	15-20
• Housing	30
Community assets	
• Buildings	30
• Recreational facilities	20-30
• Security	5
Other asset	
• Buildings	30
• Specialist vehicles	10
• Other vehicles	5
• Office equipment	3-7
• Furniture and fittings	7-10
• Watercraft	15
• Bins and containers	5
• Specialised plant and equipment	10-15
• Other items of plant and equipment	2-5
• Landfill sites	30-55
• Computer software	3-5

An asset only has a residual value when the useful life of the asset (the period the asset is used or available for use) is shorter than the economic life of the asset (the period the asset is used or available for use by all users or owners of the asset). As the municipality plans to use the assets for the entire economic lives, the residual value is considered to be negligible or even zero.

Land is not depreciated as it is deemed to have an indefinite life.

The residual value and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Accounting policies

1.3 Property, plant and equipment (continued)

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount it is written down immediately to its recoverable amount and an impairment loss is charged to surplus or deficit.

De-recognition

Items of property, plant and equipment are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of property, plant and equipment is included in surplus or deficit when the item is de-recognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.4 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Initial measurement

Intangible assets are initially recognised at cost

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

If an intangible asset was acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

Subsequent measurement

After the initial recognition intangible assets with finite useful lives are carried at cost less accumulated amortisation..

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Internally generated intangible assets

An intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all the following are demonstrated.

- (a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- (b) Its intention to complete the intangible asset and use or sell it.
- (c) Its ability to use or sell the intangible assets

Accounting policies

1.4 Intangible assets (continued)

(d) How the intangible asset will generate probable future economic benefits or service potential. Among other things, the municipality can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally also, the usefulness of the intangible asset.

(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Websites

Initial recognition

Websites are internally generated intangible assets and are initially recognised at the value of the improvement/development cost in terms of IGRAP 16.

The cost of an internally generated intangible asset (website) is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria. After initial recognition, an intangible asset is carried at its cost less any accumulated amortisation and any accumulated impairment loss.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Subsequent measurement

After initial measurement websites will be carried at cost less any accumulated amortisation and impairment losses.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

For intangible assets with a finite useful life, the residual value is always deemed to be zero unless:

(a) A third party has committed to purchase the asset at the end of the useful life

(b) There is an active market for the asset and;

(i) The residual value can be determined by reference to that market;and

(ii) it is probable that such a market will exist at the end of the assets useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

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Accounting policies

1.4 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets. Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, internally generated	3-5years
Computer software, other	3-5years
Intangible assets under development	3-5years

Intangible assets are de-recognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.5 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Heritage assets, which are shown at cost, are not depreciated, owing to the uncertainty regarding their estimated useful lives. One of the key features of heritage assets is that they are held indefinitely for the purposes of preserving such assets for the benefit of present and future generations. Cost incurred to enhance or restore a heritage asset, to preserve its indefinite useful life are capitalised as part of the cost of the asset and are recognised in the carrying amount.

The municipality has taken advantage of the transitional period of three years for the implementation of GRAP 103 with regards to measurement of the assets.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

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Accounting policies

1.6 Financial instruments

Classification

In determining whether a financial instrument is a financial asset, financial liability or a residual interest, the municipality considers the substance of the contract and not just the legal form.

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Cash and cash equivalents	Financial asset at amortised cost
Trade and other receivables from exchange transactions	Financial asset at amortised cost
Consumer debtors	Financial asset at amortised cost
Long term receivables	Financial asset at amortised cost
Investments	Financial asset at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

<u>Class</u>	<u>Category</u>
Borrowings	Financial liability measured at amortised cost
Trade and other payables from exchange transactions	Financial liability measured at amortised cost
Consumer deposits	Financial liability measured at amortised cost

Initial recognition and measurement

Financial assets and financial liabilities are initially recognised at fair value. Where the municipality subsequently measures financial assets and financial liabilities at amortised cost or cost, transaction costs are included in the cost of the asset or liability.

Financial assets and financial liabilities are subsequently measured at amortised cost.

The amortised cost of financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Accounting policies

1.6 Financial instruments (continued)

Impairment of financial assets

The municipality assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence that financial assets are impaired can include:

- default or delinquency by a debtor;
- restructuring of an amount due to the municipality on terms that the municipality would not consider otherwise, indications that a debtor or issuer will enter bankruptcy;
- adverse changes in the payment status of borrowers or issuers in the municipality;
- economic conditions that correlate with defaults, or
- the disappearance of an active market for a security

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly or through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly or by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

The municipality de-recognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the municipality is recognised as a separate asset or liability.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is de-recognised or impaired, or through the amortisation process.

Trade and other receivables

Trade and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Appropriate allowances for estimated irrecoverable amounts are recognised in surplus or deficit when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Accounting policies

1.6 Financial instruments (continued)

Trade and other payables

Trade payables are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- for financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, through the amortisation process.

1.7 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Accounting policies

1.8 Inventories

Inventories include consumable stores, maintenance materials, spare parts for the plant and equipment, work in progress and land and property held for sale.

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Unsold properties for the purpose of resale are accounted for as inventory. The fair value was determined by the appointed Municipal Valuer per the Valuation Roll that came into effect on 1 July 2012. Direct costs are accumulated for each separately identifiable development. Costs also include a portion of overhead cost, if the cost occur frequently and are separately identifiable.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.9 Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Measurement

Non-current assets held for sale (or disposal group) are measured at the lower of its carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

De-recognition

Non-current assets and disposal groups held for sale are de-recognised upon disposal of the item or where no further economic benefits or service potential is expected to flow from the asset or disposal group. Gains / loss that result from the de-recognition of non-current assets or disposal groups held for sale are recognised in surplus / deficit in the period of the de-recognition.

Accounting policies

1.10 Impairment of cash-generating assets

Assets that are subject to impairment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recovered.

An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount. The impairment loss is recognised as an expense in the financial performance statement immediately. The recoverable amount of the asset is the higher of the asset fair value less cost of disposal and its value in use.

The fair value represents the amount obtainable from the sale in an arm's length transaction between knowledgeable, willing parties.

For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the assets belongs. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash flows from other assets or group of assets. An impairment loss is recognised whenever the recoverable amount of a cash-generating unit is less than its carrying amount.

The impairment loss is allocated to reduce the carrying amount of the asset. The carrying amount of individual assets are not reduced below the higher of its value in use, zero or fair value less cost of disposal.

A previously recognised impairment loss related to assets is reversed if there has been a change in the estimates used to determine the recoverable amount, however not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior periods.

After the recognition of an impairment loss, any depreciation charge for the asset is adjusted for future periods to allocate the assets' revised carrying amount on a systematic basis over its remaining useful life.

1.11 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Identification

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash generating assets is the present value of the non-cash generating asset's remaining service potential.

The present value of the remaining service potential of a non-cash generating asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction(replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

Accounting policies

1.11 Impairment of non-cash-generating assets (continued)

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.12 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

Other post retirement obligations

The municipality provides post-retirement health care benefits to retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations using the projected unit credit method.

Long term employee benefits

The municipality provides long service awards. Awards are accrued over the period of employment. Independent qualified actuaries carry out valuations of these awards.

1.13 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

Accounting policies

1.13 Provisions and contingencies (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

The discount rate is a rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition, contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 35.

1.14 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting policies

1.14 Revenue from exchange transactions (continued)

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by:

- surveys of work performed;
- services performed to date as a percentage of total services to be performed; and
- the proportion that costs incurred to date bear to the total estimated costs of the transaction

Revenue arising from application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the amount of the revenue can be measured reliably.

Interest is recognised in surplus or deficit using the effective interest rate method.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Revenue is measured at the fair value of the asset recorded less any liability recognised.

Accounting policies

1.15 Revenue from non-exchange transactions (continued)

Rates, including collection charges and penalties interest

Revenue from rates, including collection charges and penalty interest, is recognised when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- there has been compliance with the relevant legal requirements.

Changes to property values during a reporting period are valued by a suitably qualified valuator and adjustments are made to rates revenue, based on a time proportion basis. Adjustments to rates revenue already recognised are processed or additional rates revenue is recognised.

Fines

Fines constitute both spot fines and summonses.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Where the amount due by a particular offender is specified on the notice, summons or equivalent document and the offender is informed of any reductions following certain processes within the municipality's discretion (i.e. it can decide on the reductions) these are estimated when measuring the asset (receivable) and the amount of revenue to be recognised. Any variations in the amount of reductions estimated are treated as a change in the estimated revenue and are accounted for as a change in accounting estimate.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme, may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, whichever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

Other grants and donations

Other grants and donations are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the amount of the revenue can be measured reliably; and
- to the extent that there has been compliance with any restrictions associated with the grant.

If goods in-kind are received without conditions attached, revenue is recognised immediately. If conditions are attached, a liability is recognised, which is reduced and revenue recognised as the conditions are satisfied.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting policies

1.16 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset, less any investment income on the temporary investment of those borrowings.
- weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on impairment of assets. In certain circumstances the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale is complete.

When the municipality completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the municipality ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.17 Self-insurance reserve

A self-insurance reserve (SIR) covers claims that may occur, subject to external insurance policy terms and conditions. Premiums are charged to the respective services taking into account claims history, the insured value of property, plant and equipment and number of fleet vehicles.

Claim payments received from external insurers are utilised in the calculation of gain or loss on the scrapping of damaged assets and are recorded in the statements of financial performance.

Repair and replacement costs not fully covered by external insurance are paid from the insurance cost centre expenditure account that is then financed or reimbursed by a transfer from the self-insurance reserve to the insurance cost centre income account.

The calculation for self insurance contribution for the year is computed by the insurance underwriters based on the computed amount at each year end, a transfer from the accumulated surplus is made towards the self insurance reserve.

1.18 Comparative figures

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason of reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

Where there has been a change in the accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting policies

1.19 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

Where unauthorised expenditure is not approved, it is recovered from the responsible person and the amount received is accounted for as revenue in the statement of financial performance.

1.20 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Irregular expenditure

Irregular expenditure is expenditure, other than unauthorised expenditure, incurred in contravention of, or that is not in accordance with a requirement of any applicable legislation.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by National Treasury or the relevant authority, is recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account is created if such a person is liable in law. Immediate steps are thereafter taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register is updated accordingly.

1.22 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of Generally Accepted Accounting Practices (GRAP)

1.23 Budget information

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the statement of comparison of budget and actual amounts.

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by the municipality provides information on whether resources were obtained and used in accordance with the legally adopted budget.

1.24 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. Related party relationships where control exists are disclosed regardless of whether any transactions took place between the parties during the reporting period.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Accounting policies

1.24 Related parties (continued)

Related parties include:

Key management personnel, close members of the family of key management personnel and councillors

Key management personnel include all directors or members of the municipal council of the reporting entity where that council has jurisdiction. The council, together with the Municipal Manager and Section 56 employees has authority and responsibility to plan and control the activities of the municipality, to manage the resources and for the overall achievement of municipal objectives. Therefore, key management personnel will include the Municipal Manager, Deputy Municipal Managers and Chief Financial Officer of the municipality.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Where transactions occurred between the municipality and any one or more related parties, and those transactions were not within:

- normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the entity to have adopted if dealing with that individual entity or person in the same circumstances; and
- terms and conditions within the normal operating parameters established by the reporting entity's legal mandate; only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

1.25 Events after reporting date

Events after the reporting date are defined as favourable and unfavourable events that occur between the reporting date and the date the annual financial statements are authorised for issue.

The date of authorisation for issue is the date on which the Accounting Officer signs off the annual financial statements.

Two types of events can be identified

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

2014

2013

2. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	9,219	9,819
Bank balances	46,884,015	9,041,383
Call accounts	79,482,788	118,598,146
	126,376,022	127,649,348

The primary banking institution is ABSA bank, the following secondary banking institutions are also applicable

The municipality had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
ABSA bank - Current account - 530-000-0087	44,770,846	10,653,931	44,162,023	7,601,660
ABSA bank - Salary account - 405-774-9059	433,019	946,352	433,018	946,352
First National Bank - Traffic fines - 620-723-53396	645,702	82,786	645,702	82,786
ABSA bank - Traffic fines - 407-683-0782	10,000	10,000	10,000	10,000
Standard bank - Current account - 420-502-084	(190)	183,337	(190)	183,337
Nedbank - Current account - 101-065-4888	185,252	75,806	185,252	75,806
Standard bank - Current account - 021-879-370	1,448,250	141,422	1,448,250	141,442
Standard bank - Current account - 080-488-129	(40)	-	(40)	-
Total	47,492,839	12,093,634	46,884,015	9,041,383

Call accounts

Invested with	01 July 2013	Invested/fair value adjustment	Interest capitalised	Withdrawn	Total
ABSA-9208236189	447,000	-	12,612	-	459,612
ABSA-9286830268	-	20,000,000	45,894	(20,045,894)	-
ABSA-9286830535	-	34,580,323	267,868	(30,560,907)	4,287,284
ABSA- 9286830690	-	20,000,000	200,381	(20,200,381)	-
ABSA-9287369571	-	10,000,000	139,049	(10,139,049)	-
ABSA-9289377532	-	23,680,000	325,870	(24,005,870)	-
ABSA-9289377922	-	24,000,000	98,330	(24,098,330)	-
ABSA-9289887585	-	15,000,000	466,782	(14,000,033)	1,466,749
ABSA-9289903783	-	25,000,000	436,812	(19,200,132)	6,236,680
ABSA-9293801359	-	22,006,000	92,720	(22,098,720)	-
ABSA-9293801498	-	22,006,000	240,565	(22,246,565)	-
STD Bank- 028606817#54#58	12,220,707	-	672,140	-	12,892,847
STD Bank- 028606817#60#62	30,000,000	-	-	(28,425,308)	1,574,692
Investec- 1400192509500	12,955,167	31,820,657	-	(15,168,578)	29,607,246
Nedbank- 03/7881044284#010	6,034,056	-	-	(6,034,056)	-

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

2. Cash and cash equivalents (continued)

Nedbank-	930,484	-	-	-	930,484
03/7881044284#015					
Nedbank-	8,196,613	-	-	(8,196,613)	-
03/7881044284/0022					
Nedbank-	9,105,740	-	-	-	9,105,740
03/7881044284/0025					
Nedbank-	2,220,099	-	7,719	(2,227,818)	-
03/7881044284/0026					
Nedbank-	12,131,732	-	-	(12,131,732)	-
03/7881044284/0029					
Nedbank-	482,571	-	24,226	-	506,797
03/7881044284/0033					
Nedbank-	2,848,317	-	142,990	-	2,991,307
03/7881044284/0036					
FNB-74367738977	746,434	-	34,061	(164,160)	616,335
FNB-74367739701	345,079	-	17,639	-	362,718
FNB-74374323399	340,480	-	15,103	(48,905)	306,678
FNB-74377598238	955,399	-	48,811	-	1,004,210
FNB-74380919140	268,361	-	13,745	-	282,106
FNB-74386489808	1,292,207	-	11,422	(1,303,629)	-
FNB-74386379801	94,658	-	4,867	-	99,525
FNB-74388711621	436,919	-	22,255	-	459,174
FNB-74397968742	724,592	-	37,259	-	761,851
FNB-74397969584	45,426	-	2,320	-	47,746
FNB-74398420113	87,593	-	3,892	(91,485)	-
FNB-74386451401	14,911,938	-	60,236	(14,872,371)	99,803
FNB-74408742994	776,573	-	28,215	(661,850)	142,938
FNB-74446015478	-	1,466,000	17,289	(1,419,171)	64,118
FNB-74441636675	-	2,500,000	72,848	(1,674,239)	898,609
FNB-62448657398	-	5,500,000	127,738	(1,350,199)	4,277,539
	118,598,145	257,558,980	3,691,658	(300,365,995)	79,482,788

Unlimited cession dated 25/07/2008 of a Absa call account no 9208236189, Held to partly secure (76%) of a R587 000 financial guarantee facility.

During the year the municipality had an overdraft facility of R50 million from ABSA and R100 million from Standard bank which were settled in full by 30 June 2014.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
3. Trade and other receivables from exchange transactions		
Gross balances		
Electricity	324,993,665	314,408,275
Water	1,455,263,481	1,095,817,119
Sewerage	517,294,875	426,915,916
Refuse	317,924,940	261,330,135
	2,615,476,961	2,098,471,445
Less: allowance for impairment		
Electricity	(244,690,856)	(216,396,601)
Water	(1,348,653,098)	(971,136,312)
Sewerage	(480,526,891)	(385,753,515)
Refuse	(299,161,097)	(242,919,484)
	(2,373,031,942)	(1,816,205,912)
Net balance		
Electricity	80,302,809	98,011,674
Water	106,610,383	124,680,807
Sewerage	36,767,984	41,162,401
Refuse	18,763,843	18,410,651
	242,445,019	282,265,533
Water, electricity, sewerage and refuse		
Current (0-30 days)	148,633,636	167,038,157
31 - 60 days	84,042,357	86,766,932
61 - 90 days	73,450,714	74,030,959
91 days +	2,309,350,254	1,770,635,397
	2,615,476,961	2,098,471,445
Reconciliation of allowance for impairment		
Balance at beginning of the year	(1,816,205,912)	(1,507,568,381)
Contributions to allowance	(561,942,014)	(308,637,531)
Debt impairment written off against allowance	5,115,984	-
	(2,373,031,942)	(1,816,205,912)

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

All debtors accounts are assessed for impairments, where applicable we impaired debtors over 90 days.

Doubtful debt

Indigent accounts - 100% of outstanding amount

All other debtors accounts outstanding from 90 days.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
4. Trade and other receivables from non-exchange transactions		
Property rates	463,624,066	391,329,521
Impairment property rates	(389,364,955)	(304,035,951)
Other receivables	610,341,832	496,872,739
Impairment - other receivables	(582,101,775)	(450,784,149)
Other debtors	48,023,599	46,234,036
Grant debtors	9,999,749	-
	160,522,516	179,616,196
Reconciliation of provision for impairment of trade and other receivables from non-exchange transactions		
Opening balance	(754,820,100)	(607,216,667)
Provision for impairment	(219,593,818)	(148,790,458)
Amounts written off as uncollectible	2,947,189	1,187,025
	(971,466,729)	(754,820,100)
Property rates & other		
Current (0-30 days)	36,345,532	32,023,346
31-60 days	14,412,475	12,982,710
61-90 days	12,365,920	10,942,228
91 days +	400,500,139	335,381,237
	463,624,066	391,329,521
5. Inventories		
Consumable stores	26,715,133	23,486,988
Water	643,608	554,359
	27,358,741	24,041,347
6. Value added tax receivable		
VAT	61,750,522	79,922,014

Value added tax is payable on the receipts basis and is paid over to South African Revenue Services only once payment is received from debtors. The value added tax receivable relates to net input vat claimable from SARS.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment

	2014				2013			
	Cost / valuation	Accumulated depreciation and impairment	Carrying value	Cost / valuation	Accumulated depreciation and impairment	Carrying value		
Building property	549,173,979	(182,196,374)	366,977,605	549,180,554	(153,581,975)	395,598,579		
Community assets	672,170,862	(87,097,219)	585,073,643	655,590,770	(72,258,666)	583,332,104		
Infrastructure	11,343,409,322	(2,664,677,616)	8,678,731,706	11,327,327,470	(2,273,576,974)	9,053,750,496		
Other assets	330,223,274	(227,158,571)	103,064,703	333,826,840	(213,322,862)	120,503,978		
Capital work in progress	443,169,083	-	443,169,083	363,344,565	-	363,344,565		
Total	13,338,146,520	(3,161,129,780)	10,177,016,740	13,229,270,199	(2,712,740,477)	10,516,529,722		

Reconciliation of property, plant and equipment - 2014

	Opening balance	Additions	AUC transfers	Disposals / Derecognition	Donated assets	Provision adjustment	Fair value adjustments	Depreciation	Impairment	Total
Building property	395,598,579	-	-	(7,362)	-	-	-	(28,613,612)	-	366,977,605
Community assets	583,332,104	15,684,678	402,356	(1,434,614)	1,904,307	-	-	(14,815,188)	-	585,073,643
Infrastructure	9,053,750,496	(1,415,860)	83,509,257	(15,804,753)	6,728,852	(39,839,155)	-	(409,366,963)	1,169,832	8,678,731,706
Other assets	120,503,978	1,770,601	67,877	(6,786,825)	1,315,380	-	7,071,873	(20,878,181)	-	103,064,703
Capital work in progress	363,344,565	163,554,343	(83,979,490)	-	177,393	-	72,272	-	-	443,169,083
Total	10,516,529,722	179,593,762	-	(24,033,554)	10,125,932	(39,839,155)	7,144,145	(473,673,944)	1,169,832	10,177,016,740

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

Figures in Rand

7. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions	AUC transfers	Disposals / Derecognition	Foreign exchange movements	Depreciation	Impairment	Total
Building property	427,289,984	-	803,947	(1,377,315)	-	(31,116,391)	(1,646)	395,598,579
Community assets	588,677,868	7,458,208	3,497,992	(21,339)	-	(16,173,625)	(107,000)	583,332,104
Infrastructure	9,333,538,947	82,888,985	26,464,448	(5,797,951)	19,239,383	(402,153,183)	(430,133)	9,053,750,496
Other assets	178,181,227	5,290,739	-	(17,862,343)	6,804,497	(51,010,704)	(899,438)	120,503,978
Capital work in progress	219,357,919	174,753,033	(30,766,387)	-	-	-	-	363,344,565
	10,747,045,945	270,390,965	-	(25,058,948)	26,043,880	(500,453,903)	(1,438,217)	10,516,529,722

Change in estimates (Change in RULs)

Emfuleni Local Municipality technical departments reviewed the RULs on existing assets as at 1 July 2013. During the review it was decided that certain component's estimated useful life, remaining useful life and or residual value should be changed. The financial implication is that the annual depreciation will increase by R617 437 in the 2013/14 financial year.

De-recognition/Reversal of impairment

Reversal of impairment of land and Vanderbijlpark town substation amounts to R29 280.

The impairment recognised in the 2012/2013 financial year relating to the Vanderbijlpark town substation was reversed as the substation has been repaired.

De-recognition

While componentising the current year additions, components were spatially linked. During the process it was found that with certain additions, projects were not to create a new asset, but rather to replace an existing asset. The replaced assets were de-recognised when the components were added. The de-recognitions amount to R20 979 983, the de-recognition on depreciation was R6 275 409 and the de-recognition of impairment R1 140 552. The de-recognitions were included in the 2014 fixed asset register.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

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7. Property, plant and equipment (continued)

Fair value adjustments

Donated and newly identified

During the year under review, infrastructure assets were newly identified and accounted for at fair value as a fair value adjustment

The adjustment amounts to R21 298 911.64

8. Investment property

	2014			2013		
	Cost / valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	1,372,942,709		- 1,372,942,709	1,108,346,697		- 1,108,346,697

Reconciliation of investment property - 2014

	Opening balance	Disposals / Derecognition	Fair value adjustments	Donated assets	Total
Investment property	1,108,346,697	(67,820,160)	260,121,172	72,295,000	1,372,942,709

Reconciliation of investment property - 2013

	Opening balance	Disposals / derecognition	Fair value adjustments	Total
Investment property	983,412,000	(2,445,000)	127,379,697	1,108,346,697

Details of valuation

The effective date of the revaluations was 30 June 2013. Revaluations were performed by an independent valuer, Neil de Klerk (Pty) Ltd. Neil de Klerk (Pty) Ltd are not connected to the municipality and have recent experience in the location and category of the investment property being valued.

The valuation was based on open market value for existing use.

Rental received from investment property is included in the disclosure of rental of facilities and equipment in note 19 of the financial statements

Fair value adjustments

Investment property is measured using the fair value model. An analysis of property sale prices for all transactions where most of the municipality's investment properties are held was performed. This analysis indicates that a 5.57% fair value adjustment is necessary for investment property as at 30 June 2014.

All properties were reviewed by the department. Certain land portions are being illegally occupied / encroached upon. GRAP indicates that impairment adjustment are not recorded for investment property subsequently measured on the fair value model. Therefore the decision was taken to adjust the fair value to reflect the encroachment.

The total fair value adjustment for 2013/14 is R260 121 172.

The fair value adjustments are included in the fixed asset register.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

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8. Investment property (continued)

De-recognitions

During the annual review meetings de-recognitions were discussed with properties department. These assets were reviewed land and investment property to the value of R67 820 160 were be de-recognised. These de-recognitions are included in fixed asset register.

Additions

Developer created assets: Portion 26 of the farm leeukuil 596IQ to the value of R72 295 000

Annual Financial Statements for the year ended 30 June 2014

Figures in Rand

	Opening balance	Additions	Disposals/ derecognition	Amortisation	Impairment	Total
Computer software	10,260,979	798,000	(70,042)	(3,262,956)	(46,328)	7,679,653
Servitutes	13,849,516	-	-	-	-	13,849,516
	24,110,495	798,000	(70,042)	(3,262,956)	(46,328)	21,529,169

Websites are internally generated intangible assets and are initially recognised at the value of the improvement/development cost.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
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10. Heritage assets

	2014			2013		
	Cost / valuation	Accumulated impairment losses	Carrying value	Cost / valuation	Accumulated impairment losses	Carrying value
Heritage assets	360,211	(2,236)	357,975	348,753	(2,236)	346,517

Reconciliation of heritage assets 2014

	Opening balance	Fair value adjustments	Derecognition	Total
Heritage assets	346,517	13,943	(2,485)	357,975

Reconciliation of heritage assets 2013

	Opening balance	Additions	Fair value adjustments	Disposals/dere cognition	Impairment	Total
Heritage asset	459,280	7,940	2,197	(121,700)	(1,200)	346,517

11. Non-current assets held for sale

Non current assets held for sale

Other assets	16,745	16,745
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Library books not in a fair condition to be lent out were held for sale during 2012/2013, pending council resolution.

12. Trade and other payables

Trade payables	486,203,120	448,209,386
Payments received in advance	80,801,189	76,736,952
Retentions	29,069,151	28,015,150
Outstanding cheques	2,581,507	3,624,742
Accrued interest	833,815	1,894,451
Accrual for annual leave	49,694,849	46,712,772
Accrual for 13th cheque	35,345,437	33,875,359
Year-end salary creditors	28,502,986	26,412,416
Unclaimed wages	968,401	843,342
Other payables	1,849,047	1,270,683
MBD Credit Solutions	34,200,000	-
Imputed interest on creditors	(3,576,232)	-
	746,473,270	667,595,253

The Emfuleni Local Municipality entered into an agreement with MBD Credit Solutions on 30 June 2014. In terms of the agreement, the municipality has granted the Service Provider with the exclusive right to collect debts in respect of the Debtors Book (to the value of R506 796 892) and perform all functions incidental thereto as expressly provided for in terms of the agreement. The agreement will be for an initial period of twelve months.

In terms of the signed agreement, the commission payable to the Service Provider will be:

- 90% of collections by the Service Provider in respect of accounts that are identified in the municipal system outstanding for 90 days and above, and
- 20% of the collections by the Service Provider in respect of accounts that are identified in the municipal system outstanding for 30 days and above in arrears but less than 90 days, subject to the cap on the commission. The cap on the commission is described as: 2.05 times the upfront instrument of R30 000 000 (VAT excluded)

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
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12. Trade and other payables (continued)

In terms of an addendum to the agreement, Annexure C, the Municipality will, with effect of the date of termination of the Subject Agreement cede to TIMS, *in securitatem debiti*, all of the Cedent's rights, title and interest in and to all ceded rights as a continuing general covering security, for the due and punctual fulfilment of all obligations. This agreement became effective 30 June 2014. This impairs the municipality's ability to cede the loan book as security, discounted, factored, mortgaged or otherwise disposed of nor can it be subjected to any other rights in favour of any person save as may arise by operation of any applicable law.

The municipality simultaneously entered into a settlement agreement with TIMMS MMM(Pty) Ltd. In terms of the agreement, the municipality will pay a total sum of R8 500 000 in recognition of the early termination of the Agency Agreement. The payment was made on 3 July 2014.

13. Consumer deposits

Electricity and water	37,404,062	33,938,710
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The amounts reflected represent a cost value. Management believes that the cost value approximates the fair value. Bank guarantees to the value of R5 912 205 form part of the amount disclosed as R37 404 062.

14. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

Municipal systems improvement grant Sedibeng	50,000	50,000
Library grant	469,332	3,107,398
Department of water affairs grant	930,484	930,484
HIV/AIDS grant	-	288,140
Regional sewer scheme	1,134,668	1,134,668
Bontle ke botho	1,985,931	1,529,639
Sport and recreation	560,132	560,132
National electrification grant	9,794,764	10,073,886
Projects funded ex Sedibeng district municipality	2,704,127	2,704,127
Sedibeng regional sewer scheme	9,110,125	9,110,125
Municipal systems improvement grant	8,070	3,294
Electricity demand site management grant	1,517,299	1,517,299
Debtors book project grant	219,952	219,952
Performance management grant	111,587	-
	28,596,471	31,229,144

Refer to note 23 for detailed movements on grants

15. Borrowings

At amortised cost		
Borrowings	23,485,389	26,921,161
Non-current liabilities		
At amortised cost	19,827,787	23,485,389
Current liabilities		
At amortised cost	3,657,602	3,435,772

The municipality has 3 loans with DBSA. Loan 13554/101 and 13959/101 at an interest rate of 15.74% with half yearly repayments of R 1 483 607 and R 1 929 217 respectively, and loan 12625/101 at an interest rate of 13.56% with quarterly repayments of R22 984.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
16. Finance lease liability		
Minimum lease payments due		
- within one year	-	1,387,662
All finance leases came to an end in March 2014.		
Operating leases - Municipality as a lessor - Property		
within one year	227,285	1,159,323
in second to fifth year inclusive	1,670,681	2,141,411
	1,897,966	3,300,734
Operating leases - Municipality as a lessee - Property		
within one year	4,172,028	4,430,306
in second to fifth year inclusive	-	4,172,028
	4,172,028	8,602,334
Operating leases - Municipality as lessee - Fleet		
within one year	-	5,602
Operating leases - Municipality as lessee - Office equipment		
within one year	677,958	1,370,143
in second to fifth year inclusive	-	1,211,152
	677,958	2,581,295

Operating leases - Municipality as lessor- Property

These leases are in respect of municipal property that is leased to third parties. These leases are payable by lessees, either monthly or annually. Leases escalate at annual fixed rates that vary between 0% and 8.5%.

No contingent rent was recognised as revenue because rental increases are escalated at a fixed percentage. Increases are not based on indices that result in a fluctuating interest rate.

Operating leases - Municipality as lessee- Property

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases - Municipality as lessee - Fleet

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Operating leases - Municipality as lessee - Office equipment

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
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17. Provisions

Reconciliation of provisions - 2014

Environmental rehabilitation

Opening Balance	121,036,990	114,185,811
Unwinding of time value of money	5,277,859	6,851,148
Change in provision due to change in estimates	(39,839,159)	-
	86,475,690	121,036,959

	Opening Balance	Time value of money	Total
Environmental rehabilitation	121,036,959	(34,561,269)	86,475,690

Reconciliation of provisions - 2013

	Opening Balance	Additions	Total
Environmental rehabilitation	114,185,811	6,851,148	121,036,959

Environmental rehabilitation provision

In terms of IGRAP 2 the financial provision required for rehabilitation of the facility is for the total closure cost for that facility as if operation stopped at the end of the past financial year and the cost of an item for property, plant and equipment includes the initial estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

The discount rate utilised was 6.5% which is the year on year CPI for Gauteng at 30 June 2014. The periodic unwinding of the discount is recognised in surplus or deficit as finance costs. The decrease in the liability was credited directly to the asset.

The municipality has three landfill sites:

Boitshepi

Waldrift

Palm Springs

Boitshepi

The extent of the site is 34.4195 Ha and the waste disposal area is 26.843Ha and the surface area to be rehabilitated as at 30 June 2014 is 24.37Ha. Disposal is licensed to be undertaken in a land build sell method from natural ground level (NGL) and will be filled to 32m above NGL at closure. According to the minimum requirements if a site is licensed (GLB+) the site can receive in excess of 500tons per day of general household and dry industrial waste. The current disposal rate is approximately 29.263m3 per month(1125m3 per day).

The cost estimated (rehabilitation provision) to close the entire site, based on a value determined at 30 June 2014 is R63 370 589.86 excluding 14% VAT. This value will need to be escalated using the CPI for the area to the year of final rehabilitation.

Waldrift

The extent of the site is 31.8842 Ha and the waste disposal area is 18.7946Ha and the surface area to be rehabilitated as at 30 June 2014 is 11.5200Ha. Disposal is licensed to be undertaken in a landfill and land build sell method from 3m below natural ground level (NGL) and will be filled to 25m above NGL at closure. Phase 2 of the site has been rehabilitated in 2009.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

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2014

2013

17. Provisions (continued)

The cost estimated (rehabilitation provision) to close the entire site, based on a value determined at 30 June 2014 is R7 369 457.27 excluding 14% VAT. The estimated value will need to be escalated by the local CPI for the number of years after the base date of 30 June 2014 when the construction project is actually undertaken. The current year on year (2013-2014) CPI for Gauteng province is estimated at 6.5%.

Palm Springs

The extent of the site is 66.6384 Ha and the waste disposal area is 25.0597Ha and the surface area to be rehabilitated as at 30 June 2014 is 7.8797Ha. Disposal is licensed to be undertaken in a landfill and land build sell method from 1m below natural ground level (NGL) and will be filled to 19m above NGL at closure. According to the minimum requirements if a site is licensed (GMB-) the site can receive between 150 and 500tons of general household waste per day. The current disposal rate is approximately 5000tons per month (192tons per day).

The cost estimated (rehabilitation provision) to close the entire site, based on a value determined at 30 June 2014 is R15 753 844.81 excluding 14% VAT. The estimated value will need to be escalated by the local CPI for the number of years after the base date of 30 June 2014 when the construction project is actually undertaken. The current year on year (2013-2014) CPI for Gauteng province is estimated at 6.5%.

18. Service charges

Sewerage and sanitation charges	255,648,004	179,501,525
Sale of electricity	1,676,333,384	1,615,708,094
Sale of water	897,125,332	667,181,773
Refuse removal	157,902,990	128,996,643
	<u>2,987,009,710</u>	<u>2,591,388,035</u>

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
19. Rental of facilities and equipment		
Premises		
Rental of facilities	11,631,386	11,190,256
Facilities and equipment		
Rental of equipment	2,133	5,053
	11,633,519	11,195,309
20. Finance income		
Dividend revenue		
Dividends	6,050	3,025
Interest revenue		
Interest on arrears	31,332,801	24,695,367
Bank	8,078,181	10,583,615
	39,410,982	35,278,982
	39,417,032	35,282,007
21. Other income		
Access to information	300,438	403,081
Capital contribution	7,148,851	7,161,473
Dishonoured cheques	61,620	62,760
Refunds	1,484,226	3,069,155
Sundries/unallocated income	18,688,435	17,263,872
Surplus cash	2,590	7,271
Warning services	379,824	2,002,310
Advertising	13,783	131,071
Informal trading revenue	271,148	345,492
Alienation of stand	64,010	40,594
Compensation for servitude	-	61,047
Reconnection fees	1,780,056	8,671,838
Planning fees	183,240	96,643
Sale of tender documents	392,652	900,200
Zoning certificates	264,356	53,778
Activity room/auditorium	24,945	30,761
Building plans	2,265,864	1,867,452
Cemeteries	5,048,731	5,494,209
Entrance fees	61	107
General service fees	6,254,520	6,350,529
Fire rescue services	689,104	908,669
Flammable liquid	93,481	79,357
Refuse dumping landfill site	10,707,504	8,715,023
Lost and damaged library material	1,372	4,974
Industrial effluent	2,066,261	848,367
	58,187,072	64,570,033

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
22. Property rates		
Rates		
Rates levied	<u>469,446,918</u>	<u>410,973,552</u>
Valuations		
Residential	54,750,838,010	51,011,173,000
Business	7,967,196,000	7,852,592,020
Industrial	4,456,845,000	4,166,515,000
State owned properties	1,617,396,000	1,424,691,000
Municipal	840,267,000	771,274,000
Agricultural	1,159,774,000	1,155,720,000
Other	728,328,022	953,258,000
	<u>71,520,644,032</u>	<u>67,335,223,020</u>

Emfuleni Local Municipality

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Notes to the annual financial statements

	2014	2013
23. Government grants and subsidies		
Operating grants		
Equitable share	598,857,000	597,142,000
HIV/AIDS grant	288,140	141,860
Financial management grant	1,300,000	1,250,000
Department of agriculture conservation and the environment grant	750,000	2,100,467
Municipal systems improvement grant	885,224	996,706
Social development grant	4,317,749	-
Expanded public works programme grant	4,885,000	5,216,000
Infrastructure skills development grant	10,000,000	19,230,000
Health and environment subsidies	45,970,474	43,413,632
Bontle ke botho	4,378	-
	<u>667,257,965</u>	<u>669,490,665</u>
Capital grants		
Municipal infrastructure grant	151,925,000	154,041,000
National electrification programme	13,279,122	16,926,114
Electricity demand site management	-	569,841
Library grant	2,801,864	1,418,229
Performance management grant	1,088,413	-
	<u>169,094,399</u>	<u>172,955,184</u>
	<u>836,352,364</u>	<u>842,445,849</u>

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic and administrative services to indigent community members and to subsidise income.

HIV/AIDS grant

Balance unspent at beginning of year	288,140	-
Current-year receipts	-	430,000
Conditions met - transferred to revenue	(288,140)	(141,860)
	<u>-</u>	<u>288,140</u>

This grant is used for various purposes depending on the business plan submitted.

Financial management grant

Current-year receipts	1,300,000	1,250,000
Conditions met - transferred to revenue	(1,300,000)	(1,250,000)
	<u>-</u>	<u>-</u>

This grant is used to promote and support reforms in financial management by building capacity in municipalities to implement the MFMA.

Department of agriculture conservation and the environment

Balance unspent at beginning of year	-	1,000,467
Current-year receipts	750,000	1,100,000
Conditions met - transferred to revenue	(750,000)	(2,100,467)
	<u>-</u>	<u>-</u>

Funds used for implementation of Emfuleni alien vegetation eradication project.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
23. Government grants and subsidies (continued)		
Municipal systems improvement grant		
Balance unspent at beginning of year	3,294	-
Current-year receipts	890,000	1,000,000
Conditions met - transferred to revenue	(885,224)	(996,706)
	<u>8,070</u>	<u>3,294</u>
Conditions still to be met - remain liabilities (see note 14).		
To assist municipalities to build in-house capacity to perform their functions and stabilise institutional governance systems as required in the Municipal Systems Act (MSA), and other related legislation policies and the local government turnaround strategy - the focus being MPRA, effective implementation of ward committees and improvement to fixed asset registers.		
Social development grant		
Current-year receipts	4,000,000	-
Conditions met - transferred to revenue	(4,000,000)	-
	<u>-</u>	<u>-</u>
Expanded public works programme		
Current-year receipts	4,885,000	5,216,000
Conditions met - transferred to revenue	(4,885,000)	(5,216,000)
	<u>-</u>	<u>-</u>
To provide expanded public works programme (EPWP) incentive funding to expand job creation efforts in specific focus areas, where labour intensive delivery methods can be maximised.		
Infrastructure skills development grant		
Current-year receipts	10,000,000	19,230,000
Conditions met - transferred to revenue	(10,000,000)	(19,230,000)
	<u>-</u>	<u>-</u>
To strengthen the capacity of local government to effectively and efficiently deliver quality infrastructure, by increasing the pool of skills available and to facilitate lifelong learning and the transfer of knowledge to the municipalities. To sustain infrastructure related capacity in local government.		
Health and environment subsidies		
Current-year receipts	45,970,474	43,413,633
Conditions met - transferred to revenue	(45,970,474)	(43,413,633)
	<u>-</u>	<u>-</u>
Department of water affairs and forestry		
Balance unspent at beginning of year	930,484	930,484
Conditions still to be met - remain liabilities (see note 14).		
This grant is used for water demands management.		

Emfuleni Local Municipality

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	2014	2013
23. Government grants and subsidies (continued)		
Municipal Infrastructure grant		
Current-year receipts	151,925,000	154,041,000
Conditions met - transferred to revenue	(151,925,000)	(154,041,000)
	<u>-</u>	<u>-</u>

This grant was used to construct roads and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld by the grantor

National electrification programme

Balance unspent at beginning of year	10,073,886	-
Current-year receipts	13,000,000	27,000,000
Conditions met - transferred to revenue	(13,279,122)	(16,926,114)
	<u>9,794,764</u>	<u>10,073,886</u>

Conditions still to be met - remain liabilities (see note 14).

To implement the integrated national electrification programme (INEP) by providing capital subsidies to address the electrification backlog of permanently occupied residential dwellings, the installation of bulk infrastructure and rehabilitation of electrification infrastructure in order to improve quality of supply.

Electricity demand site management grant

Balance unspent at beginning of year	1,517,299	2,087,140
Conditions met - transferred to revenue	-	(569,841)
	<u>1,517,299</u>	<u>1,517,299</u>

Conditions still to be met - remain liabilities (see note 14).

To provide subsidies to municipalities to implement electricity demand site management (EDSM) in municipal infrastructure in order to reduce electricity consumption and improve energy efficiency.

Library grant

Balance unspent at beginning of year	3,107,398	2,795,627
Current-year receipts	800,000	1,730,000
Conditions met - transferred to revenue	(2,801,864)	(1,418,229)
Rollover not approved- Paid back	(636,202)	-
	<u>469,332</u>	<u>3,107,398</u>

Conditions still to be met - remain liabilities (see note 14).

The purpose of the grant is to financially support municipal library services in the administration of libraries, in order to render efficient, effective and economic library and information services to communities.

Emfuleni Local Municipality

Annual Financial Statements for the year ended 30 June 2014

Notes to the annual financial statements

	2014	2013
23. Government grants and subsidies (continued)		
Regional sewer scheme		
Balance unspent at beginning of year	<u>1,134,668</u>	<u>1,134,668</u>
Conditions still to be met - remain liabilities (see note 14).		
This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of other municipalities. The grant supplements regional bulk collection and waste water treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.		
Bontle ke botho		
Balance unspent at beginning of year	1,529,639	746,529
Current-year receipts	460,670	783,110
Conditions met - transferred to revenue	(4,378)	-
	<u>1,985,931</u>	<u>1,529,639</u>
Conditions still to be met - remain liabilities (see note 14).		
The MEC agriculture conservation and environment, initiated a clean and green programme based on the Johannesburg plan of implementation, whereby the municipalities, wards and schools are encouraged to keep the nearest places clean. This is done through a campaign named Bontle ke botho which rewards the best municipality.		
Projects funded ex Sedibeng district municipality		
Balance unspent at beginning of year	<u>2,704,127</u>	<u>2,704,127</u>
Conditions still to be met - remain liabilities (see note 14).		
Funds are used for upgrading of cemeteries. No funds have been withheld by the grantor.		
Municipal systems infrastructure grant (Sedibeng)		
Balance unspent at beginning of year	<u>50,000</u>	<u>50,000</u>
Conditions still to be met - remain liabilities (see note 14).		
Funds meant to fund an LED project. No funds have been withheld by the grantor.		
Sedibeng regional sewer scheme		
Balance unspent at beginning of year	<u>9,110,125</u>	<u>9,110,125</u>
This grant supplements the financing of the social component of regional bulk water and sanitation. It targets projects that cut across the boundaries of several municipalities. The grant supplements regional bulk collection and wastewater treatment works. It may also be used to appoint service providers to carry out feasibility studies, related planning or management studies for infrastructure projects.		

Emfuleni Local Municipality

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	2014	2013
23. Government grants and subsidies (continued)		
Debtors book restructuring grant		
Balance unspent at beginning of year	219,952	219,952
Conditions still to be met - remain liabilities (see note 14).		
To provide financial assistance to the municipality for the implementation of the Gauteng revenue enhancement and debtor management project (municipal debtors book project) and structuring of the debtors book and preparatory work.		
Sports and recreation grant		
Balance unspent at beginning of year	560,132	560,132
Conditions still to be met - remain liabilities (see note 14).		
Performance management grant		
Current-year receipts	1,200,000	-
Conditions met - transferred to revenue	(1,088,413)	-
	111,587	-
Conditions still to be met - remain liabilities (see note 14).		
To enable the municipality to carry out the improvement and automation of the municipality's performance management system.		
24. Traffic fines		
Traffic fines	153,353,108	34,648,500
In terms of IGRAP 1 the impact on the initial measurement of fines was assessed and appropriate adjustments based on assumptions were made from reliable information. The monetary value of fines as disclosed for 2013/14 was calculated from the value of fines issued less the fines withdrawn and, as granting of reductions are within the discretion of the entity issuing fines, these were deducted from the fines issued (R9 681 745).		
The debtor as disclosed in note 4 was calculated using the above assumption and the existing debtor as 30 June 2013.		
Subsequent measurement was done by utilising reliable information from the previous 7 years. The average percentage payment of fines versus fines issued of the previous 7 years, deducting the average percentage of fines paid versus fines issued for 2013/14, were utilised to calculate the estimated recoverable fines for 2013/14. The recoverable amount was deducted from the calculated outstanding as at 30 June 2014 resulting in the calculated impairment of fines(R136 503 660.07.)		
The municipality included the probability of none payment in the initial recognition and measurement of fines revenue in 2012/13 and therefore the application of IGRAP 1 will only be done prospectively.		

Emfuleni Local Municipality

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	2014	2013
25. Employee related costs		
Basic salaries	483,158,275	445,972,870
13th cheque	36,908,299	33,299,108
Medical aid - company contributions	44,740,661	40,414,324
Unemployment insurance fund (UIF)	4,083,445	3,843,921
Leave pay provision charge	11,880,483	6,994,776
Provision for leave and 13th cheque	4,452,154	6,433,788
Provision for long service awards and medical aid	7,128,169	11,366,174
Pension fund contribution	92,045,107	86,912,455
Overtime payments	55,332,602	46,016,353
Car allowance	36,702,682	35,583,284
Housing benefits and allowances	2,271,840	2,398,923
Other allowance	16,506,145	10,539,738
Group insurance	27,578,368	24,546,949
	822,788,230	754,322,663
Municipal Manager		
Annual remuneration	2,467,257	1,590,163
Travel, motor car, accommodation, subsistence and other allowances	427,736	427,736
Adjustment	(574,198)	-
	2,320,795	2,017,899
Chief Financial Officer		
Annual remuneration	1,272,749	-
Travel, motor car, accommodation, subsistence and other allowances	138,000	-
	1,410,749	-
The position of CFO was vacant for the 2012/2013 financial year.		
Corporate Services (DMM)		
Annual remuneration	1,328,273	1,035,833
Travel, motor car, accommodation, subsistence and other allowances	193,000	126,500
	1,521,273	1,162,333
Basic Services (DMM)		
Annual remuneration	1,100,203	1,447,000
Travel, motor car, accommodation, subsistence and other allowances	10,500	18,000
	1,110,703	1,465,000
The position of DMM: Basic Services was vacant for the last 5 months of the 2013/2014 financial year, and an incumbent was appointed to act in the position.		
Chief Audit Executive		
Annual remuneration	1,302,287	982,868
Travel, motor car, accommodation, subsistence and other allowances	196,200	196,200
Performance bonuses	-	63,370
	1,498,487	1,242,438

Emfuleni Local Municipality

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Notes to the annual financial statements

	2014	2013
25. Employee related costs (continued)		
Economic Development and Planning (DMM)		
Annual remuneration	1,480,487	1,250,000
Travel, motor car, accommodation, subsistence and other allowances	18,000	18,000
	1,498,487	1,268,000
Public Safety & Community Development (DMM)		
Annual remuneration	1,360,487	1,140,000
Travel, motor car, accommodation, subsistence and other allowances	138,000	128,000
	1,498,487	1,268,000
Infrastructure Planning and Asset Management (DMM)		
Annual remuneration	789,754	1,221,120
Travel, motor car, accommodation, subsistence and other allowances	108,500	186,000
	898,254	1,407,120
The position of DMM: Infrastructure Planning and Asset Management was vacant for the last 5 months of the 2013/2014 financial year, and an incumbent was appointed to act in the position.		
Chief Operating Officer		
Annual remuneration	1,552,806	1,082,529
Travel, motor car, accommodation, subsistence and other allowances	138,000	138,000
	1,690,806	1,220,529
Chief Risk Officer		
Annual remuneration	1,059,352	655,948
Travel, motor car, accommodation, subsistence and other allowances	158,000	264,300
	1,217,352	920,248
Chief Information Officer		
Annual remuneration	980,283	762,000
Travel, motor car, accommodation, subsistence and other allowances	234,000	245,900
	1,214,283	1,007,900
Head of Revenue		
Annual remuneration	1,480,487	1,145,833
Travel, motor car, accommodation, subsistence and other allowances	18,000	16,500
	1,498,487	1,162,333

The position for Head of Revenue was vacant for one month during the 2012/13 financial year.

Emfuleni Local Municipality

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	2014	2013
25. Employee related costs (continued)		
Head Strategic Manager: Support		
Annual remuneration	972,850	802,745
Travel, motor car, accommodation, subsistence and other allowances	138,000	145,000
	1,110,850	947,745
Chief Director: Metsi a Lekoa		
Annual remuneration	952,125	941,128
Travel, motor car, accommodation, subsistence and other allowances	60,600	60,600
	1,012,725	1,001,728
26. Remuneration of councillors		
Mayoral Committee members	9,340,911	6,711,727
Councillors	33,394,938	19,949,495
	42,735,849	26,661,222
In-kind benefits		
The office of Executive Mayor, Speaker and Mayoral Committee members are full time positions. Each is provided with an office and secretariat support at the cost of the municipality.		
The Mayor and the Speaker make use of a municipal owned vehicle for official duties.		
Mayor		
Annual remuneration	731,453	512,042
Travel, motor, accommodation, subsistence and other allowances	322,210	236,111
	1,053,663	748,153
Speaker		
Annual remuneration	585,162	409,634
Travel, motor, accommodation, subsistence and other allowances	266,132	176,898
	851,294	586,532
27. Finance costs		
Interest paid	19,365,367	15,462,189
Borrowings	8,210,487	16,963,133
	27,575,854	32,425,322
28. Bulk purchases		
Electricity	1,362,266,652	1,332,969,506
Water	512,431,595	470,699,838
	1,874,698,247	1,803,669,344

Emfuleni Local Municipality

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	2014	2013
29. General expenses		
Advertising	4,261,196	2,872,351
Audit fees	5,455,557	5,513,554
Bank charges	2,575,317	1,914,914
Commission paid	7,149,238	9,356,759
Consulting and professional fees	18,847,855	6,554,234
Consumables	5,571,140	3,616,646
Insurance	39,978,101	22,990,795
Conferences and seminars	4,019,420	3,685,967
Lease rentals on operating lease	59,335,529	43,784,792
Magazines, books and periodicals	452,756	360,736
Medical expenses	88,724	256,771
Recoverable works	-	36,783
Relocation cost	20,497	17,050
Postage and courier	5,908,725	5,756,071
Printing and stationery	5,363,677	6,108,322
Staff expenditure	14,192,582	10,958,527
Royalties and license fees	2,420,027	2,541,415
Security (guarding of municipal property)	734,697	32,221,419
Software expenses	2,117,991	1,958,201
Subscriptions and membership fees	6,013,575	1,261,515
Telephone and fax	7,305,787	6,980,152
Training	17,582,115	22,302,294
Electricity	3,185,421	3,046,387
Uniforms	4,520,536	4,973,763
Special programmes	76,849,845	32,358,013
Indigent support	362,280,260	203,134,601
Valuation roll expense	21,200	39,429
Public expenditure	941,542	449,228
Chemicals	71,402	69,350
Other expenses	86,989,818	72,387,395
	744,254,530	507,507,434

"Other expenses" consist of various minor expenses.

30. Cash generated from operations

Deficit before taxation	(192,888,377)	(94,400,366)
Adjustments for:		
Depreciation and amortisation	476,075,878	503,716,807
Gain on sale of assets	88,196,640	22,471,999
Surplus on distribution of non-cash assets to owners	(29,281)	1,485,741
Fair value adjustments	(267,362,508)	(148,357,174)
Debt impairment	781,535,834	457,427,988
Employee benefit obligation	1,119,510	16,593,197
Contribution to provisions	5,277,886	6,851,148
Donations	(81,851,117)	(63,675,135)
Changes in working capital:		
Inventories	(3,317,394)	(3,505,200)
Trade and other receivables from exchange transactions	(592,061,757)	(501,185,731)
Other receivables from non-exchange transactions	(201,069,973)	(25,541,977)
Trade and other payables from exchange transactions	78,878,016	(2,958,399)
VAT	88,111,748	52,493,026
Unspent conditional grants and receipts	(2,632,673)	9,889,893
	177,982,432	231,305,817

Emfuleni Local Municipality

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31. Correction of error

During the 2013/14 financial year adjustments were made to transactions whereby amounts were erroneously stated in previous financial periods. The comparative amounts have been restated as follows:

Statement of financial position

Property, plant and equipment	28,575,801
Sundry creditors	(1,421,333)
Year end sundry delayed VAT	(3,312)
Finance lease liability	243,597
Investments	46,750
Sundry debtors	(794,990)
Prepaid expense	(2,101,467)
Intangible assets	798,000
Straight line operating lease	(305,113)
Accumulated depreciation	996,467
Sundry income	(4,050)
Investment property	(4,652,925)
	21,377,425

Statement of financial performance

Depreciation expense	(10,138,722)
Repairs and maintenance	2,281,584
Fleet maintenance	(23,659)
Legal fees	(7,863)
Special programmes	(923,860)
Lease agreement	61,515
Contracted services	4,945
Fair value adjustment	8,923,525
Profit on sale of asset	(1,046,162)
Refuse dumping landfill site	790,182
Donations received	(21,298,910)
	(21,377,425)

Statement of financial position

Property, plant and equipment

During the 2013/2014 financial year it was discovered that certain projects, which were completed in the 2012/2013 year were not accounted for as such

Sundry creditors

Correction of sundry creditors as a result of incorrect accrual listing for 2012/13 financial year, corrections were made in the current financial year. This also had an impact on VAT which was also corrected as such

Year-end sundry delayed VAT

Due to the overstatement of the sundry creditor the VAT portion thereof was also overstated in 2012/2013 and these were corrected in 2013/2014.

Finance lease liability

Lease liability was incorrectly measured at inception date (2010/11) and was corrected in the current financial year.

Investments

Investment (Sanlam shares) were not fair valued in the previous financial year. Valuation corrections were done during the current financial year

Emfuleni Local Municipality

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Sundry debtors

The year-end sundry debtor was overstated for the 2012/2013 year and corrected in 2013/2014.

Prepaid expense

Rand Water projects that were completed in 2012/2013 were not disclosed as such in the FAR and the correction was done in the current year

Intangible assets

The IMQS software was not recognised in prior periods and the correction was done in the current financial year.

Straight lining of operating lease

The lease of the OK Bazaars building and Vaal Gate building was not previously recognised. The straight lining of the operating lease had to be performed from 2011/2012.

Accumulated depreciation

Correction on the depreciation on projects that were completed in 2012/2013.

Sundry income

Sale of stand 766 Sebokeng Zone 7-correction

Statement of financial performance

Depreciation expense

Decrease is due to roads that were erroneously classified as gravel roads in 2012/2013, resulting the incorrect RUL, EUL and RV causing differences in depreciation. It was corrected in 2013/2014.

Repairs and maintenance

Mainly due to a liability that was not accrued in the 2012/2013 financial year.

Fleet management

Accrual for 2012/2013 was overstated and corrected in 2013/2014.

Legal fees

Accrual for legal fees duplicated in 2012/2013. Corrected in 2013/2014.

Special programmes

Accrual for data cleaning (MUSS) was duplicated in 2012/2013. Correction was made in 2013/2014.

Lease agreement

Correction of error at the inception of the lease of vehicles (2012/2013). (Moiponi)

Contracted services

Invoices incorrectly accounted for in 2012/2013. Correction was made in 2013/2014.

Profit on sale of asset

Emfuleni Local Municipality

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The replacement of assets, rather than the construction of new assets, resulted in the de-recognition of assets to avoid duplication. Incorrect selection of road segments to derecognise when roads were added in prior year. Prior year recognitions were reversed and correct components were derecognised. Pipelines were capitalised then found to have been taken on previously and removed. Decryption of some pump station components have been misleading, resulting in incorrect de-recognitions which were corrected.

Landfill sites

The year-end sundry debtor was overstated for the 2012/2013 year and corrected in 2013/2014

Donations received

Developer created assets that were completed in 2012/2013 were not disclosed in the FAR of 2012/2013. Correction was done in 2013/2014.

Included in the opening balance of the accumulated surplus is the net amount of R43 092 426.00 resulting from adjustments relating to periods prior to 2012/2013 financial year.

32. Unauthorised, irregular, fruitless and wasteful expenditure disallowed

Opening balance	4,504,002	4,327,534
Fruitless and wasteful expenditure	107,932	176,468
	4,611,934	4,504,002

33. Additional disclosure in terms of Municipal Finance Management Act

PAYE and UIF

Opening balance	9,292,682	7,675,668
Current year subscription / fee	126,457,809	108,876,927
Amount paid - current year	(116,515,776)	(99,584,245)
Amount paid - previous years	(9,292,682)	(7,675,668)
	9,942,033	9,292,682

Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at 30 June 2014:

30 June 2014	Total
Maseko BP	18,227
Maraka TP	7,800
	26,027
30 June 2013	Total
Maseko BP	17,426
Tatae ET	13,796
Matsei NP	10,492
Mahlase KM	7,109
	48,823

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34. Electricity and water distribution losses

Distribution losses relate to unaccounted for electricity and water losses. These losses arise mainly from illegal connections from both electricity and water networks, physical losses due to network operations and economical losses due to faulty meters. The total distribution losses for electricity is 456 559 002 kilowatts (R278 500 991), (for 2012/13 358 156 982 kilowatts - R211 863 070) and for water is 31 549 282 kilolitres (R175 255 483), (for 2012/13 29 696 237 kilolitres - R169 274 580). The total percentage of distribution loss for electricity is 20.4% (15.6% for 2012/13) and for water is 34.1% (31.9% for 2012/13).

Emfuleni Local Municipality

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Notes to the annual financial statements

35. Contingencies

Contingent liability (civil matters)

Claim number	Description	Amount
1	Vaal show Ground-Property rights	80,000,000
2	Pele Selepe-claim for negligence	5,000,000
3	Aloecap- contractual claim	2,000,000
4	Maluleke Seriti- legal fees	1,787,495
5	Spies & Nkamane- 3rd party claim	1,762,924
6	C De Jager- claim for defamation	1,500,000
7	Vaalmac- claim for damages	1,360,000
8	DJ Bisschoff- unlawful dismissal	1,200,000
9	NG Kubheka- dilectual claim	651,000
10	Bowman Gilfillan- legal fees	500,000
11	Jooste- unlawful arrest	300,000
12	M McClean- dilectual claim	200,000
13	PH Haman cc- dilectual claim	137,014
14	NJ Bholo- dilectual claim	100,000
15	PJ Pienaar- unlawful detention	100,000
16	Super Group- damage to property	75,000
17	Realty North- 3rd party claim	70,000
18	BF Peterson- dilectual claim	60,000
19	MZ Lesenyeho- unlawful arrest	50,000
20	L Mafale- unlawful arrest	50,000
21	MP Skosana- dilectual claim	40,000
22	D Pather- damage to property	38,475
23	PI Kloppers- damage to property	29,024
24	EZ Mehlala- motor collision	28,849
25	J Cilliers- damage to property	23,159
26	Tiro funerals- claim for damages	23,000
27	JP De La Porte- damage to property	22,200
28	Telkom SA- damage to property	21,586
29	E Pretorius- dilectual claim	10,038
		97,139,764

Contingent liabilities (Insurance)

During the 2013/14 financial year, the municipality encountered 119 claims, with a total of R13 864 272.03.

36. Related parties

Section 56 managers
Councillors

Section 56 managers

No remuneration was paid to families of Section 56 managers

Members of council

No remuneration was paid to family members of council

All councillors and employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over council in making financial and operating decisions.

37. Events after the reporting date

The municipality acquired an overdraft facility amounting to R150 million after the reporting date as resolved by council.

Notes to the annual financial statements

38. New standards and interpretations

38.1 Standards and interpretations effective and adopted in the current period

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

GRAP 103: Heritage Assets - the municipality has taken advantage of the 3 years phase-in period

Amendments to:

GRAP 1 (As revised 2012): Presentation of financial statements

GRAP 3 (As revised 2012): Accounting policies, change in accounting estimates and errors

GRAP 12 (As revised 2012): Inventories

GRAP 13 (As revised 2012): Leases

GRAP 16 (As revised 2012): Investment property

GRAP 17 (As revised 2012): Property, plant and equipment

GRAP 25: Employee benefits

GRAP 31: Intangible assets (replaces GRAP 102)

IGRAP 1: Probability of revenue

IGRAP 2: Changes in existing decommissioning restoration and similar liabilities

IGRAP 4: Rights to interest arising from rehabilitation funds

IGRAP 16: Intangible assets - website costs

38.2 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2014 or later periods:

GRAP 18: Segment reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the municipality. The major classifications of activities identified in budget documentation will usually reflect the segments for which a municipality reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of a municipality that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by a municipality within a particular region.

This standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2016.

The municipality expects to adopt the standard for the first time in the 2017 annual financial statements.

GRAP 20: Related parties

Notes to the annual financial statements

38. New standards and interpretations (continued)

The objective of this standard is to ensure that a reporting entity's annual financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

An entity that prepares and presents financial statements under the accrual basis of accounting (in this standard referred to as the reporting entity) shall apply this standard in:

- identifying related party relationships and transactions;
- identifying outstanding balances, including commitments, between an entity and its related parties;
- identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- determining the disclosures to be made about those items.

This standard requires disclosure of related party relationships, transactions and outstanding balances, including commitments, in the consolidated and separate financial statements of the reporting entity in accordance with the Standard of GRAP on Consolidated and Separate Financial Statements. This standard also applies to individual annual financial statements.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The standard states that a related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of the reporting entity:

- A person or a close member of that person's family is related to the reporting entity if that person:
 - has control or joint control over the reporting entity;
 - has significant influence over the reporting entity;
 - is a member of the management of the entity or its controlling entity.
- An entity is related to the reporting entity if any of the following conditions apply:
 - the entity is a member of the same economic entity (which means that each controlling entity, controlled entity and fellow controlled entity is related to the others);
 - one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of an economic entity of which the other entity is a member);
 - both entities are joint ventures of the same third party;
 - one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - the entity is a post-employment benefit plan for the benefit of employees of either the entity or an entity related to the entity. If the reporting entity is itself such a plan, the sponsoring employers are related to the entity;
 - the entity is controlled or jointly controlled by a person identified in (a); and
 - a person identified in (a)(i) has significant influence over that entity or is a member of the management of that entity (or its controlling entity).

The standard furthermore states that related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

The standard elaborates on the definitions and identification of:

- Close member of the family of a person;
- Management;
- Related parties;
- Remuneration; and
- Significant influence

The standard sets out the requirements, inter alia, for the disclosure of:

- Control;
- Related party transactions; and
- Remuneration of management

The effective date of the standard is for years beginning on or after 01 April 2014.

The municipality expects to adopt the standard for the first time in the 2015 annual financial statements.

Emfuleni Local Municipality

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Notes to the annual financial statements

	2014	2013
39. Employee benefit obligations		
Post employment health care benefits		
Opening accrued liability	145,782,622	126,461,042
Current-service cost	1,508,454	1,901,920
Interest cost	11,622,941	10,581,236
Contributions paid	(8,262,077)	(7,824,465)
Previously unrecognised liability	-	-
Previously recognised/liability not applicable	-	-
Actuarial gain/(loss)	(20,700,900)	14,662,889
	129,951,040	145,782,622

The projected unit credit funding method has been used to determine the past service liabilities at the valuation date and the projected annual expense in the year following the valuation date. The valuation was performed by ZAQ Consultants and Actuaries.

Key assumptions used

GRAP 25 defines the determination of the discount rate assumption to be used as follows:

"The discount rate that reflects the time value of money is best approximated by reference to market yields at the reporting date on government bonds. Where there is no deep market in government bonds with a sufficiently long maturity to match the estimated maturity of all the benefit payments, an entity uses current market rates of the appropriate term to discount shorter term payments, and estimates the discount rate for longer maturities by extrapolating current market rates along the yield curve."

Discount rate

The discount rate was therefore set as the yield of the R209 South African government bond as at the valuation date. The actual yield on the R209 bond was sourced from the RMB Global Markets website on the 30th of June 2014.

Medical aid Inflation

The medical aid inflation rate was set with reference to the past relationship between CPI and medical aid contribution rate inflation. The underlying future rate of consumer price index inflation (CPI Inflation) as derived from the relationship between current conventional government bond yields (R209) and current index-linked bond yields (R202).

The assumption was made that medical aid contribution increases would out-strip general inflation by 1% per annum over the foreseeable future.

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Normal retirement age

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables. These are the most commonly used tables in the industry. Mortality post-employment (for pensioners) has been based on the PA (90) ultimate mortality tables. No explicit assumption was made about additional mortality or health care costs due to AIDS.

On the basis of the information supplied and the actuarial assumptions used, the value of the municipality's liability for future subsidies of medical aid contributions has been calculated as at the valuation date, and is summarised below.

Emfuleni Local Municipality

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	2014	2013
39. Employee benefit obligations (continued)		
Accrued liability		
The accrued liability is given below and is split between the current employees and continuation members (pensioners).		
Category		
Current (in-service) members	35,850,000	46,268,785
Continuation members (pensioners)	94,101,000	99,513,807
	129,951,000	145,782,592
Key financial assumptions		
Assumption		
Discount rate	8.94%	8.02%
Medical aid contribution inflation	8.05%	7.46%
Consumer price inflation	7.05%	5.96%
Net effective discount rate	0.82%	0.69%
Key demographic assumptions		
Assumption		
Average retirement age	63	63 for males and 60 for females
Continuation of membership at retirement	90%	90%
Proportion assumed married at retirement	90%	90%
Proportion of eligible current non-member employee joining the scheme by retirement	20%	20%
Mortality during employment	SA 85-90	SA 85-90
Mortality post retirement	PA90-1 ultimate	PA90-1 ultimate
Withdrawal from service (sample annual rates)		
2013/2014		
Age	Female	Male
20	16%	24%
30	16%	24%
40	6-10%	6-15%
50	2-6%	2-6%
>55	0-1%	0-1%
2012/2013		
Age	Female	Male
20	15-24%	10-16%
30	15%	10%
40	6%	6%
50	2%	2%
>55	0%	0%

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39. Employee benefit obligations (continued)

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off-balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Full details are included in the actuarial valuation report at the municipality.

Comparison with the preceding valuation

The section below compares the figures between the valuation dates and summarises the primary reasons for the changes in the liabilities since the last valuation

Membership changes

Changes to current (in-service) membership as at the valuation dates:

	30-06-2014 Valuation	30-06-2013 Valuation	% Change
Number of active employees	140	146	-4.10%
Proportion male	67%	65%	3.30%
Subsidy weighted average age	53.2	52.1	2.10%
Subsidy weighted average past service	24.7	24.2	1.90%
Average monthly subsidy	R2 830	R2 621	8.00%

Changes to continuation membership (pensioners' membership) as at the valuation dates:

	30-06-2014 Valuation	30-06-2013 Valuation	% Change
Number of principal members	261	265	-1.50%
Proportion male	48%	46%	3.30%
Average monthly subsidy	74.2	73.9	0.40%
Average monthly subsidy	R2 860	R2 541	12.60%

Changes in valuation assumptions as at the valuation dates.

Financial variable	30-06-2014 Valuation	30-06-2013 Valuation	% Change
Discount rate	8.94%	8.20%	9.00%
Consumer price inflation	7.05%	5.96%	18.30%
Medical aid inflation	8.05%	7.46%	7.90%
Net effective discount rate	0.82%	0.69%	19.40%

The projections assume that the municipality's health care arrangements and subsidy policy will remain as outlined and that no contributions are made by the municipality towards prefunding its liability via an off-balance sheet vehicle.

Contributions or benefits paid refer to medical scheme contributions made by the municipality with respect to its subsidy of current continuation members. There are no past service costs, curtailments or settlements to reflect.

Long service awards

The projected unit credit method has been used in the actuarial valuation of the liabilities. The valuation was performed by ZAQ Consultants and Actuaries.

Opening accrued liability	56,434,878	59,163,261
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Notes to the annual financial statements

	2014	2013
39. Employee benefit obligations (continued)		
Current service cost	3,761,349	4,017,687
Interest cost	3,182,943	4,704,261
Benefit vestings	(279,548)	(5,707,508)
Actuarial (loss)/gain	10,286,348	(5,742,823)
	73,385,970	56,434,878

The main reasons for the actuarial loss can be attributed to the following factors:

Changes in economic variables

Over the past financial year the net effective discount rate increased from 0.33% to 0.59%. This caused the liability to decrease by around R1 500 000.

Higher than expected salary increases

Salaries increased with more than expected during the valuation period. There was a 23.8% increase in average salaries from the previous year. The effect of this was an increase in the liability of around R9 600 000.

Membership changes and assumption updates

Membership movements being different than expected and assumption updates caused the liability to increase by around R2 100 000.

Assumptions

The most relevant actuarial assumptions used in this valuation are discussed below.

Financial variable

The following values for these variables were assumed:

Financial variable

	Assumed value 30-06-2014 (current valuation)	Assumed value 30-06-2013 (preceding valuation)
Discount rate	7.96%	7.07%
CPI (consumer price inflation)	6.33%	5.72%
Normal salary increase rate	7.33%	6.72%
Net effective discount rate	0.59%	0.33%

Normal salary inflation rate

The underlying future rate of consumer price index inflation (CPI inflation) was derived from the relationship between current conventional bond yields (R208) and current index-linked bond yields (R197). The actual yield on the R208 and R197 government bonds was sourced from the RMB Global Markets website. The assumed rate of salary inflation was set as the assumed value of CPI plus 1%.

The salaries used in the valuation include an assumed increase on 01 July 2014 of 6.79%. The next salary increase was assumed to take place on 01 July 2015

Average retirement age

The average retirement age for all active employees was assumed to be 63 years. This assumption implicitly allows for ill health and early retirements.

Normal retirement age

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39. Employee benefit obligations (continued)

The normal retirement age (NRA) for all active employees was assumed to be 65 years.

Mortality rates

Mortality before retirement has been based on the SA 85-90 mortality tables.

Key financial assumptions

Discount rate	7.07%	8.11%
Future salary inflation rate per annum	6.72%	7.20%
Net effective discount rate	0.33%	6.95%

Key demographic assumptions 2014

Withdrawal decrements

A table setting out the assumed rates of withdrawal from service is set out below:

Age band

	Males	Females
20-24	16%	24%
25-29	12%	18%
30-34	10%	15%
35-39	8%	10%
40-44	6%	6%
45-49	4%	4%
50-54	2%	2%
55-59	1%	1%
60+	0%	0%

Average retirement age	63 for males 60 for females	63 for males 60 for females
Mortality during employment	SA 85-90	SA 85-90

Key demographic assumption 2013

Withdrawal from service

Age

	Females	Males
20	24%	16%
30	15%	10%
40	6%	6%
50	2%	2%

The projections assume that the LSA arrangements will remain as outlined and that all the actuarial assumptions made are borne out of practice. In addition, it is assumed that no contributions are made by the employer towards prefunding its liability via an off balance sheet vehicle. There are no past service costs, curtailments or settlements to reflect.

Comparison with the preceding valuation

In order to illustrate the sensitivity of the results to changes in certain key variables, liabilities were calculated using the following assumptions:

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39. Employee benefit obligations (continued)

- 20% increase/decrease in the assumed level of withdrawal rates;

- 1% increase/decrease in the normal salary cost inflation

Withdrawal rate

Deviations from the assumed level of withdrawal experience of the eligible employees will have a large impact on the actual cost to the Municipality. If the actual rates of withdrawal turns out to be higher than the rates assumed in the valuation basis, then the cost to the municipality in the form of benefits will reduce and vice versa.

The effect of higher and lower withdrawal rates are illustrated by increasing and decreasing the withdrawal rate by 20%. The effect is as follows:

	-0.20% withdrawal rate	Valuation assumption	+0.20 withdrawal rate
Total accrued liability	77,016,000	73,386,000	70,143,000
Current service cost	6,364,000	5,831,000	5,376,000
Interest cost	6,158,000	5,848,000	5,572,000
	89,538,000	85,065,000	81,091,000

Normal salary inflation

The cost of the long service awards is dependent on the increase in the annual salaries paid to employees. The rate at which salaries increase will thus have a direct effect on the liability of future retirees.

The effect of a 1% p.a. change in normal salary inflation was tested and the effect is as follows:

	-1% Normal salary inflation	Valuation assumption	+1 Normal salary inflation
Total accrued liability	68,064,000	73,386,000	79,333,000
Total accrued liability	5,290,000	5,831,000	6,452,000
Interest cost	5,403,000	5,848,000	6,346,000
	78,757,000	85,065,000	92,131,000

Changes in the value obligation:

	Current valuation date 30-06-2014	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
PV of the obligation as at the previous valuation date	56,434,908	73,386,000	79,197,000	85,243,507
Current service cost	3,761,349	5,831,000	6,041,630	6,283,381
Interest cost	3,182,943	5,848,000	6,293,878	6,765,697
Benefits paid	(279,548)	(5,868,000)	(6,298,000)	(6,760,000)
Actuarial loss/ (gain)	10,286,348	-	-	-
	73,386,000	79,197,000	85,234,508	91,532,585

Amounts in statement of financial position and statement of financial performance

	Current valuation date 30-06-2014	1 year following the valuation date	2 years following the valuation date	3 years following the valuation date
Liability recognised in statement of financial position	73,386,000	79,197,000	85,234,507	91,523,586
Current service cost in statement of financial performance	3,761,349	5,831,000	6,041,630	6,283,381
Interest cost in statement of financial performance	3,182,943	5,848,000	6,293,878	6,765,697
Actuarial loss/(gain) in OCI	10,286,348	-	-	-

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39. Employee benefit obligations (continued)

	90,616,640	90,876,000	97,570,015	104,572,664
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The awarded leave days were converted to a percentage of annual salary by assuming there are 250 working days per year. The expected value of each employee's long service award is projected to the next interval by allowing for future salary growth. The table below contains a summary of the benefit policy:

Long service awards for levels of past service.

10	4.00%	(10/250)*annual salary
15	8.00%	(20/250)*annual salary
20 and every five years thereafter	12.00%	(30/250)*annual salary

Monetary gifts for levels of past service

Completed years of service

20	6,524	
25	6,524	
30	9,142	
35	11,365	-
40 and every five years thereafter	15,808	

Specifics:

- In the month that each "completed service" milestone is reached, the employee is granted long service award;
- Working days awarded are valued at 1/250th of annual salary per day;
- These monetary amounts increase at CPI + 1% each year; and

The amounts stated in the previous report have been inflated by 7.6% (approximate CPI inflation from 1 June 2013 to 31 May +1%) in order to obtain the current levels.

40. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government Gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the accounting officer and includes a note to the annual financial statements.

Deviations	28,326,200	17,496,309
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41. Budget differences

Material differences between budget and actual amounts

(a) Service charges: This is due to electricity income which is lower than was anticipated.

(b) Rental of facilities: Less bookings of municipality owned facilities were made than anticipated.

(c) Trade licences: Less trade licences were issued than anticipated. The amount in total is not material.

(d) Other Income: Re allocation of other service charges to the correct income votes.

(e) Interest received: This is due to higher investments which were made. Grants funds are invested until they are used.

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- (f) Transfers and grants: No transfers and grants were made to other municipalities during the financial year.
- (g) Dividends received: Dividends declared cannot be estimated accurately; amount received not material
- (h) Interest SARS: Income type not anticipated and therefore not budgeted for.
- (i) Donations: Donations from developers and others not anticipated and therefore not budgeted for.
- (j) Fines: IGRAP 2 was utilised to determine income relating to traffic fines in the 2013/2014 financial year thus the huge increase in income.
- (k) Depreciation: GRAP 17 resulted in higher depreciation charges due to higher asset values.
- (l) Finance costs: This is due to the higher short term liability (overdraft facility of R150 mil) used during the year.
- (m) Debt impairment: Lower debt than anticipated was written off during the year.
- (n) Repairs and maintenance: Lower amounts were spent than was anticipated.
- (o) Loss on sale of asset: This is due to assets disposed of during the financial year.
- (p) Fair value adjustment: This is due to the valuation of assets in terms of GRAP 17

42. Auditors' remuneration

Fees	5,455,557	5,513,554
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43. Risk management

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the municipality consists of debt, which includes the borrowings, cash and cash equivalents, and equity.

There have been no changes to what the municipality manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (and more specifically, interest rate risk, cash flow interest rate risk), credit risk and liquidity risk.

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Long term and other receivables are individually evaluated at reporting date for discounting.

Risk management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

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43. Risk management (continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the municipality maintains flexibility in funding by maintaining availability under committed credit lines.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

44. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

During the year under review the municipality made a loss of R192 888 377. Although the current liabilities of the current year exceed the current assets with R160 274 523 the municipality had an accumulated surplus of R10 978 023 303. The total assets exceed total liabilities with R11 063 274 056.

Management plans to maintain adequate cash flows by alternative means such as:

- disposal of assets
- investigating other revenue enhancement possibilities, and
- improving debt collection

to ensure that funds will be available to finance future operations and that realisation of assets and settlements of liabilities, contingents and commitments will occur in the ordinary course of business.

45. Awards to close family member of an official/councillor

Employee name	Capacity	Amount
SI Du Toit	Storekeeper	468,936
N Radebe	Senior clerk	165,870
ML Radebe	Professional	80,052
	nurse	
KJ Ratseke	General worker	58,398
MS Shabangu	Leading fire	25,206
	fighter	
		798,462

Emfuleni Local Municipality

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46. Capital commitments

The Council has committed itself to the following capital projects:

Already contracted for but not provided for

• Infrastructure	460,758,031	193,745,876
• Community assets	-	38,612,527
• Heritage assets	-	1,370,121
• Other	175,895	11,054,150
	460,933,926	244,782,674

This expenditure will be financed from:

• Municipal infrastructure grant	238,663,422	100,485,440
• Government grants	72,965,669	66,673,079
• Council funds	149,304,835	77,624,155
	460,933,926	244,782,674

47. Insurance reserve

Opening balance	56,288,587	29,516,971
Contribution to reserve	30,000,000	30,000,000
Expenditure	(1,037,834)	(3,228,384)
	85,250,753	56,288,587

Emfuleni Local Municipality
Appendix A

Schedule of external loans as at 30 June 2014

Loan Number	Redeemable Balance at 30 June 2013	Received during the period	Redeemed written off during the period	Balance at 30 June 2014
	Rand	Rand	Rand	Rand
Development Bank of South Africa				
DBSA Loan (15.74%)	19,181,343	-	1,483,606	17,697,737
DBSA Loan at 3 months reset	7,716,870	-	1,929,218	5,787,652
DBSA Loan (13.56%)	22,948	-	22,948	-
	26,921,161	-	3,435,772	23,485,389
Lease liability				
Mercedes Benz	-	-	-	-
Scifin	-	-	-	-
Standard Bank	6,672	-	6,672	-
Man Finance	-	-	-	-
Moipone group of companies	1,757,127	-	1,757,127	-
Vaal Toyota	472,192	-	472,192	-
	2,235,991	-	2,235,991	-
Total external loans				
Development Bank of South Africa	26,921,161	-	3,435,772	23,485,389
Lease liability	2,235,991	-	2,235,991	-
	29,157,152	-	5,671,763	23,485,389

Emfuleni Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2014 Cost/Revaluation Accumulated depreciation

	Opening Balance	Additions	Donated and newly identified assets	AUC transfers	Fair value adjustments	Disposals/Depreciation	Closing Balance	Opening Balance	Derecognition	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Building Property													
Dwellings	519,069,215	-	-	-	-	-	519,069,215	(150,065,340)	-	(28,006,439)	-	(178,071,779)	340,997,436
Operational buildings	30,118,094	-	-	-	-	(13,330)	30,104,764	(3,523,389)	5,968	(607,173)	-	(4,124,594)	25,980,170
	549,187,309	-	-	-	-	(13,330)	549,173,979	(153,588,729)	5,968	(28,613,612)	-	(182,196,373)	366,977,606
Infrastructure													
Electricity	2,214,507,295	15,402,296	1,612,852	19,086,940	-	(1,952,189)	2,248,657,194	(407,545,708)	143,397	(73,808,048)	29,280	(481,181,079)	1,767,476,115
Roads and Stormwater	6,793,515,541	56,515,522	4,546,167	49,302,017	-	(20,117,878)	6,883,761,369	(1,323,994,733)	6,122,953	(261,842,260)	1,140,552	(1,578,573,488)	5,305,187,881
Sanitation	1,282,719,279	-	569,833	-	-	(2,461)	1,283,286,651	(337,274,492)	1,405	(31,130,514)	-	(368,403,601)	914,883,050
Solid waste disposal	142,040,025	-	-	14,867,753	-	(39,839,155)	117,068,623	(20,978,729)	-	(19,541,809)	-	(40,520,538)	76,548,085
Water	883,716,596	10,175,581	-	252,548	-	-	894,144,725	(172,954,577)	-	(23,044,333)	-	(195,998,910)	698,145,815
	11,316,498,736	82,093,399	6,728,852	83,509,258	-	(61,911,683)	11,426,918,562	(2,262,748,239)	6,267,755	(409,366,964)	1,169,832	(2,664,677,616)	8,762,240,946
Community Assets													
Community facilities	455,030,926	16,087,033	1,904,307	402,356	-	(1,443,619)	471,981,003	(21,911,240)	9,005	(5,847,672)	-	(27,749,907)	444,231,096
Sports and recreation	200,592,215	-	-	-	-	-	200,592,215	(50,379,797)	-	(8,967,516)	-	(59,347,313)	141,244,902
	655,623,141	16,087,033	1,904,307	402,356	-	(1,443,619)	672,573,218	(72,291,037)	9,005	(14,815,188)	-	(87,097,220)	585,475,998

Emfuleni Local Municipality Appendix B

Analysis of property, plant and equipment as at 30 June 2014 Accumulated depreciation Cost/Revaluation

	Opening Balance		Additions		Donated and newly identified assets		AUC transfers		Fair value adjustments		Disposals/De-recognition		Closing Balance		Opening Balance		De-recognition		Depreciation		Impairment loss		Closing Balance		Carrying value	
	Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand		Rand	
Heritage assets																										
Heritage asset	348,754	-	-	-	-	-	-	-	13,942	(2,485)	(2,485)		360,211	(2,237)	(2,237)	-	-	-	(4,746,960)	81,745	-	-	(2,237)		357,974	
	348,754	-	-	-	-	-	-	-	13,942	(2,485)	(2,485)		360,211	(2,237)	(2,237)	-	-	-			-	-	(2,237)		357,974	
Other assets																										
Machinery and equipment	68,182,725	338,040	4,344	-	-	-	-	-	941,665	(2,848,555)	(2,848,555)		66,618,219	(42,361,798)	1,955,560				(4,746,960)	81,745			(45,071,453)		21,546,766	
Furniture and office equipment	33,437,042	692,576	59,294	-	-	-	-	-	1,544,508	(1,221,960)	(1,221,960)		34,511,460	(19,482,250)	845,789				(3,736,637)	4,432			(22,368,666)		12,142,794	
Computer Equipment	15,003,433	739,985	1,251,742	44,207	-	-	-	-	1,618	(1,269,723)	(1,269,723)		15,771,262	(10,015,913)	931,335				(1,784,698)	14,276			(10,855,000)		4,916,262	
Transport asset	160,156,259	-	-	-	-	-	-	-	3,279,377	(4,091,781)	(4,091,781)		159,343,855	(103,765,600)	2,895,001				(9,111,692)	106,787			(109,875,504)		49,468,351	
Finance leased assets	32,223,583	-	-	-	-	-	-	-	17,036,655	(15,186,928)	(15,186,928)		17,036,655	(22,710,131)	10,917,456				(842,901)	79,740			(12,555,836)		4,480,819	
Library books	35,613,464	-	-	-	-	-	-	-	1,304,704	-	-		36,941,938	(25,776,636)	-				(655,293)	-			(26,432,129)		10,509,709	
	344,616,506	1,770,601	1,315,380	67,877	9,948,539	83,979,491	-	-	7,071,872	(24,618,947)	(24,618,947)		330,223,289	(224,112,528)	17,545,141				(20,878,181)	286,980			(227,158,588)		103,064,701	
Total property plant and equipment	12,866,274,446	99,951,033	9,948,539	83,979,491	-	-	-	-	7,085,814	(87,990,064)	(87,990,064)		12,979,249,259	(2,712,742,770)	23,827,869				(473,673,945)	1,456,812			(3,161,132,034)		9,818,117,225	
Assets under construction																										
Assets under construction	363,344,547	79,642,729	177,412	(83,979,490)	-	-	-	-	72,272	-	-		359,257,470	-	-	-	-	-	-	-	-	-	-	-	359,257,470	
	363,344,547	79,642,729	177,412	(83,979,490)	-	-	-	-	72,272	-	-		359,257,470	-	-	-	-	-	-	-	-	-	-	-	359,257,470	
Intangible assets																										
Service fees	13,849,516	-	-	-	-	-	-	-	-	-	-		13,849,516	-	-	-	-	-	-	-	-	-	-	-	13,849,516	
Computer software	28,584,274	822,943	-	-	-	-	-	-	-	-	-		29,407,217	(20,904,619)	-	-	-	(2,401,936)	-	-	-	-	(23,306,555)		6,100,662	
	42,433,790	822,943	-	-	-	-	-	-	-	-	-		43,256,733	(20,904,619)	-	-	-	(2,401,936)	-	-	-	-	(23,306,555)		19,950,178	
Investment property																										
Investment property	1,144,869,622	-	72,295,000	-	-	-	-	-	315,723,792	(67,820,160)	(67,820,160)		1,465,068,254	-	-	-	-	-	-	-	-	-	-	-	1,465,068,254	
	1,144,869,622	-	72,295,000	-	-	-	-	-	315,723,792	(67,820,160)	(67,820,160)		1,465,068,254	-	-	-	-	-	-	-	-	-	-	-	1,465,068,254	
Total																										
Building Property	549,187,309	82,093,399	6,728,852	83,509,258	-	-	-	-	-	(13,330)	(13,330)		549,173,979	(153,588,729)	5,968				(28,613,612)	-			(182,196,373)		366,977,606	
Infrastructure	11,316,498,736	16,087,033	1,904,307	402,356	-	-	-	-	-	(61,911,683)	(61,911,683)		11,426,918,562	(2,262,748,239)	6,267,755				(409,366,964)	1,169,832			(2,664,677,616)		8,762,240,946	
Community Assets	655,623,141	348,754	-	-	-	-	-	-	-	(1,443,619)	(1,443,619)		672,573,218	(72,291,037)	9,005				(14,815,188)	-			(87,097,220)		585,475,998	
Heritage assets	344,616,506	1,770,601	1,315,380	67,877	-	-	-	-	13,942	(2,485)	(2,485)		360,211	(2,237)	9,005				(20,878,181)	286,980			(227,158,588)		357,974	
Other assets	363,344,547	79,642,729	177,412	(83,979,490)	-	-	-	-	72,272	(24,618,947)	(24,618,947)		330,223,289	(224,112,528)	17,545,141				(20,878,181)	-			(227,158,588)		103,064,701	
Assets under construction	42,433,790	822,943	-	-	-	-	-	-	-	-	-		359,257,470	(20,904,619)	-	-	-	(2,401,936)	-	-	-	-	(23,306,555)		359,257,470	
Intangible assets	1,144,869,622	-	72,295,000	-	-	-	-	-	315,723,792	(67,820,160)	(67,820,160)		1,465,068,254	-	-	-	-	-	-	-	-	-	-	-	1,465,068,254	
	14,416,922,405	180,416,705	82,420,951	1	-	-	-	-	322,881,878	(155,810,224)	(155,810,224)		14,846,831,716	(2,733,647,389)	23,827,869				(476,075,881)	1,456,812			(3,184,438,589)		11,662,393,127	

Emfuleni Local Municipality Appendix C

Segmental Statement of Financial Performance for the year ended Current Year

Actual Income	Actual Expenditure	Surplus/(Deficit)	Actual Income	Actual Expenditure	Surplus/(Deficit)
Rand	Rand	Rand	Rand	Rand	Rand
Municipality					
1,228,492,429	1,496,980,261	(268,487,832)	Executive & Council/Mayor and Council	1,519,851,361	(232,983,134)
129,991,277	90,972,093	39,019,184	Finance & Admin/Finance	99,309,424	78,647,204
64,315,853	42,262,099	22,053,754	Planning and Development/Economic Development/Plan	41,525,665	57,974,869
43,838,371	50,838,119	(6,999,748)	Health/Clinics	51,480,986	(4,928,424)
9,958,615	108,951,966	(98,993,351)	Comm. & Social/Libraries and archives	76,639,988	(64,246,259)
7,921,229	15,238,507	(7,317,278)	Housing	13,766,127	(5,367,258)
35,841,592	144,459,501	(108,617,909)	Public Safety/Police	173,625,564	(19,266,085)
2,483,478	70,918,934	(68,435,456)	Sport and Recreation	73,361,035	(73,345,287)
-	9,938,255	(9,938,255)	Environmental Protection/Pollution Control	10,334,993	(10,334,993)
319,705,716	210,081,981	109,623,735	Waste Water Management/Sewerage	510,481,001	(78,388,714)
(108,931,123)	111,932,536	(220,863,659)	Road Transport/Roads	75,556,099	(75,462,509)
791,057,434	509,936,795	281,120,639	Water/Water Distribution	811,190,960	102,579,148
1,632,094,475	1,402,535,619	229,558,856	Electricity /Electricity Distribution	1,426,310,397	260,664,896
44,293,414	30,416,460	13,876,954	Other/Air Transport	217,353,697	(128,431,831)
4,201,062,760	4,295,463,126	(94,400,366)		5,100,787,297	(192,888,377)
Municipal Owned Entities					
Other charges					
4,201,062,760	4,295,463,126	(94,400,366)	Total	5,100,787,297	(192,888,377)